

AR91

PureEnergy Services Ltd.
2008 Annual Review



going the distance

The keys to success in a cyclical industry are to go the distance — staying continuously focused, positioning the right services in the right places.

About Pure:

Pure Energy Services Ltd. ("Pure") provides the Canadian and US energy exploration and production sector with services that, in Canada, include contract and directional drilling, production testing, and wireline and in the US consist of production testing, wireline and well fracturing. In Canada, Pure has six field office locations in Alberta and one in British Columbia. In the US, Pure Energy is headquartered in Denver and provides services from field offices in Colorado, North Dakota and Wyoming.

Pure's success is a product of strategic diversification as exemplified through its expansion into the US to serve the active Rocky Mountain region, the addition of well fracturing services to meet customer demand and the transfer of equipment into the developing unconventional resource plays in Canada and the US. Pure is committed to continue to build upon its strengths in unconventional resource plays in Canada and the US.

Pure's head office is in Calgary, Alberta and its shares are listed on the Toronto Stock Exchange, symbol PSV.

Annual Meeting

The Pure Energy Services Ltd. annual general meeting will be held on Wednesday, May 13th at 2:00 pm Mountain Standard Time in the Strand/Tivoli Room of Metropolitan Centre, Calgary, Alberta. All shareholders are encouraged to attend but if unable to, you are encouraged to fill in and return the proxy form.

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and Consolidated Financial Statements
and Notes are provided in a separate booklet.*

We're going the distance.

positioning the right services



strategically



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Diversification was key to 2008 success:

EXPANDED US OPERATIONS TO 51% OF PURE'S CONSOLIDATED REVENUE,
RESULTING IN THE US DELIVERING \$16.3 MILLION OF PURE'S
CONSOLIDATED \$21.3 MILLION EBITDA.

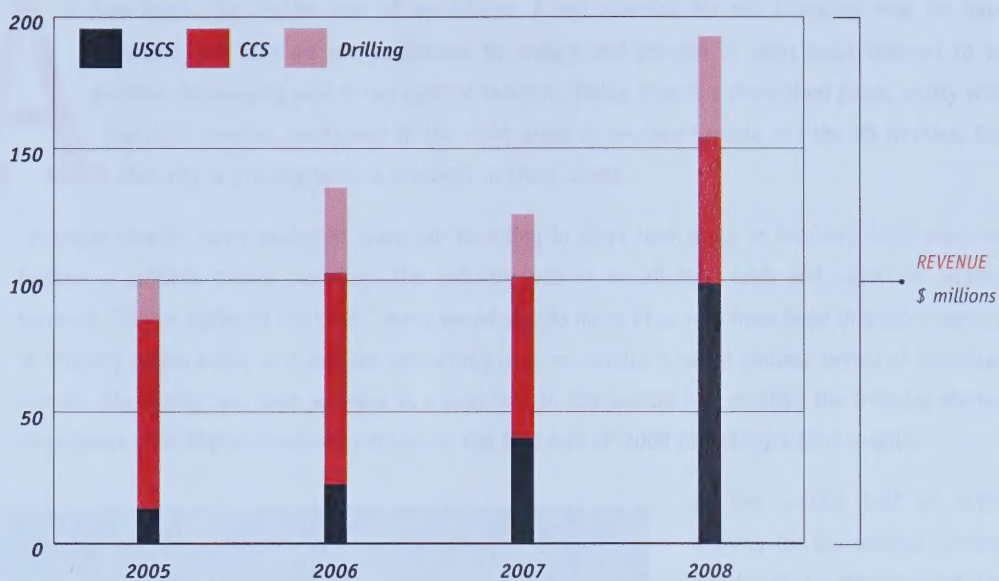
Maintaining a sound financial position:

REFLECTS A DEEP UNDERSTANDING OF THE CYCLES IN THE OIL AND GAS
SERVICE INDUSTRY: NET DEBT OF \$35.1 MILLION AND UNUTILIZED LINES
OF CREDIT OF \$22.7 MILLION AS AT DECEMBER 31, 2008, POSITION PURE
WITH THE FLEXIBILITY TO WEATHER THE CURRENT INDUSTRY DOWN-TURN.

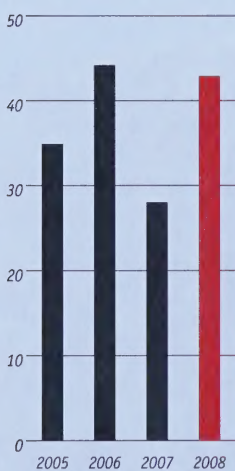
Positioned where the customers are:

ESTABLISHED A NEW OPERATING BASE IN NORTH DAKOTA TO SERVICE THE
BAKKEN OIL RESOURCE PLAY AND RE-LOCATED EQUIPMENT TO SUPPORT
PURE'S ACTIVE US DIVISIONS AS WELL AS PURE'S GROWING EXPOSURE TO
UNCONVENTIONAL NATURAL GAS RESOURCE PLAYS IN NORTHEASTERN
BRITISH COLUMBIA.

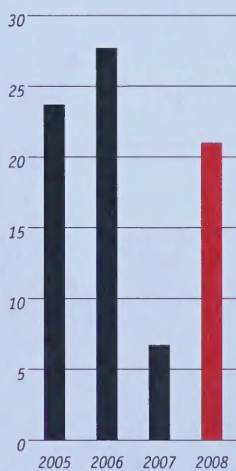
HIGHLIGHTS



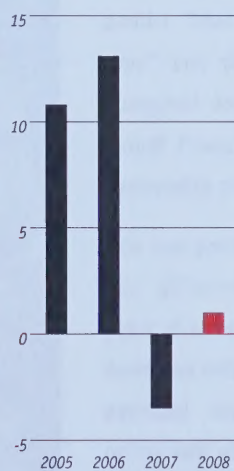
GROSS MARGIN
\$ millions



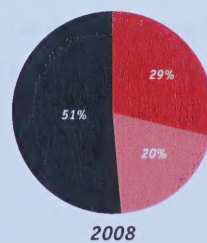
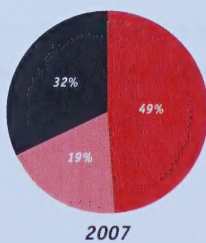
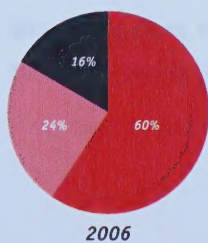
EBITDA
\$ millions



NET INCOME
\$ millions



■ CCS ■ Drilling Services ■ USCS



SOURCES OF REVENUE
percent

As Pure begins its eighth year of operations, I can describe for our investors how we have progressed and how we are positioned to endure and prosper in what most forecast to be another challenging year in our cyclical industry. Today, Pure is a diversified public entity with the right services positioned in the right areas of western Canada and the US Rockies. Our diversity is proving to be a strength in these times.

A major step in Pure's evolution since our founding in 2001 took place in February 2006 when we became a publicly traded company. The industry was at an all time high and optimism reigned supreme. *"It was different this time,"* many would say. As many of us who have been through a number of industry cycles know, this was not something new, nor would it be an endless period of unlimited growth. The reality was that we were at a peak and in the second half of 2006 the industry started to contract with higher commodity prices in the first half of 2008 providing a brief respite.



In the second half of 2008, activity for the oilfield services continued to decline and the reduced activity is expected to last through 2009. In fact some predict *"that it is different this time"* and that we are in an elongated downturn fueled by a global financial crisis and low commodity prices.

This low point of the cycle isn't any different than the high point of a few years earlier. This downturn will be followed by the eventual recovery of energy prices and activity. In fact, the best cure for low energy prices is low energy prices.

What is important for Pure and its shareholders is that we manage successfully through these trying times and come through them maintaining our strength and flexibility. This will be our focus for 2009.

Highlights of 2008

In 2008 we continued our growth in the US, highlighted by our service diversification which saw our fracturing segment become fully operational and profitable in 2008, delivering to the bottom line in a meaningful way.

We highlight the fracturing service segment because of its turn-around to the bottom line but the largest EBITDA (earnings before interest, taxes, depreciation and amortization) generator for Pure is our testing and wireline businesses in the US Rockies. Our success has led to the transfer of equipment from our Canadian operations for a new testing business in North Dakota and new wireline business in Wyoming.

Progress in 2008 has set Pure up well for 2009. Even with an expected reduction in activity in the US, we expect to be more active in the US than in Canada. Our US client base, including some of the largest producers, is continuing to invest, though at a reduced level.

Our drilling segment in Canada had a rebound year in 2008 with much improved results compared to 2007. Our contract drilling division benefited from its 2007 capital expansion into the deeper market, as the division's higher depth capacity equipment was active throughout the year. We were also able to provide an integrated contract and directional drilling service package, which was well received by our clients. Each of our contract drilling and performance/directional drilling divisions enjoy a loyal customer base which will help us through 2009.

Canadian completions services experienced a competitive playing field in 2008. In Canada this market has been overbuilt and, consequently, margins and utilization were lower in 2008. We have been able to right size these businesses through the transfer of equipment to the US. We anticipate we will see more change in the industry through 2009 with the likelihood of consolidation and attrition in this sector.

Outlook for 2009

In 2009, Pure's strategy is focused on the strategic positioning of our assets and the reduction of our cost structure. When North American activity returns to higher levels, we will be positioned to take advantage of that turn in the cycle. We will have two areas of focus. First, we must ensure our cost structure allows us to be profitable in the current low commodity price environment. We have taken steps to reduce our day to day cost base and we will stay competitive. Maintaining a solid balance sheet is part of appropriate positioning. We have a manageable balance sheet now and our intention is to further reduce our debt through 2009.

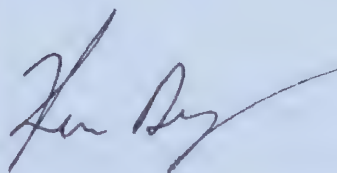
The second area of focus will be to maintain a strong position in the unconventional resource plays. We are positioned well with equipment and expertise to serve the US Rockies and northeast British

Columbia. Our US platform is a success and has developed into our strength. We can build on this in 2009. We are now transferring expertise from the US to the unconventional resource plays in British Columbia and Alberta and we can take advantage of this growing market. It is becoming another position of strength.

We will have challenges in 2009, as will most companies, but we will also have opportunities. We must manage our asset base in a way that will deliver value to our shareholders and create an even stronger company going forward. Liquidity and ultimate company size will be important to realize value. The management of Pure will continue to be flexible, willing and able to execute decisively to deliver on these assets and deliver the value to our shareholders

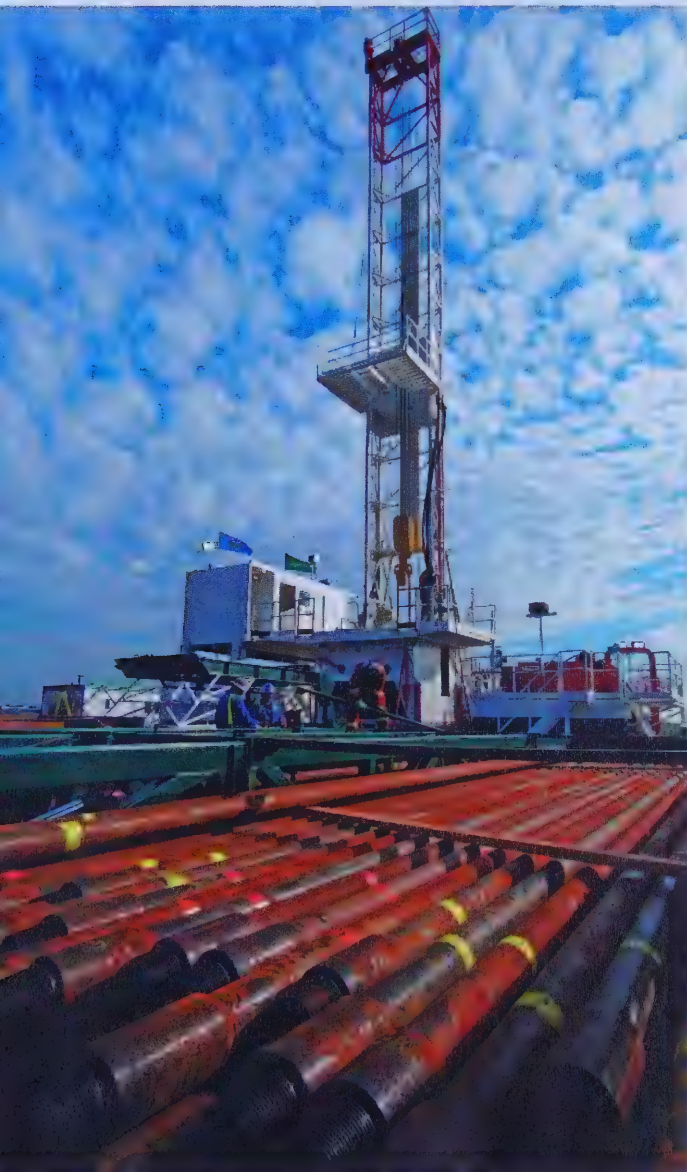
I would like to thank our employees and investors for their support. We are more committed than ever – for our investors and our employees, particularly as our employees are also investors – to see Pure's value realized.

On behalf of the Board,



Kevin Delaney

March 18, 2009



US Completions Services

We began our US operations in 2005 serving the needs of exploration companies pursuing the unconventional oil and gas plays in the Rocky Mountains. In three short years we now have a staff of approximately 350 people and operate a fleet of 34 production testing units, six wireline units and three well fracturing spreads. Our US Completions Services ("USCS") now accounts for approximately 50% of our consolidated revenue.

The success of our US operations begins with knowledgeable people and special, purpose-built equipment designed for the technically sophisticated Rocky Mountain plays. We have been able to establish a solid reputation quickly, resulting in steady growth and high utilization of our top quality equipment.

The strategy in our US operations is to provide a complete group of service offerings to assist our customers with an efficient and cost effective solution for their well completions needs. The US energy services business is different than in Canada because the unconventional plays are produced in a value chain. These resource plays are developed on a well pad where from eight to 30 wells can be directionally drilled, extending out from the well pad to tap into the large-expanse formations. This approach creates a smaller footprint for operations, limiting the impact on the environment, and allows for the drilling, perforating, fracturing and flowback services to take place sequentially on the wells, resulting in all services taking place at the same time.

Our fleet of operating assets in the US allows us to participate in three of the four services listed above. Other than our larger competitors, we are one of the only smaller oil and gas services companies that can provide such a wide range of services. We believe our relative small size versus our larger competitors provides us operational flexibility and the benefit of having a lower overhead cost structure to provide our customers with an efficient and cost effective solution for their well completions needs.

Our reputation to provide quality operations and technical support with purpose-built equipment ideally suited for unconventional resource plays is generating strong customer relationships with a number of the major, active production companies in our operating regions. This focus on providing quality operations at a cost effective price for our customers will be critical to success in the US when activity levels are lower.

During 2008 we began to see the fruits of our labor over the last two years as our operations expanded throughout the year to meet customer demand. In particular, after many frustrations during 2007 related to equipment manufacturing delays and fracturing sand supplier constraints, we were able to deploy all three of our well fracturing spreads by the fourth quarter of 2008. The number of jobs completed by our well fracturing division increased 630% year over year resulting in fracturing revenue increasing to \$50.0 million in 2008 versus \$7.5 million in 2007. This positive result was achieved without the third spread being operational for the first three quarters of the year.

Service expansion was also achieved by re-locating two under-utilized Canadian wireline units and eight production testing units into the US during the year. This expansion of the US operating fleet allowed us to open a new operating base in North Dakota and to add wireline services to our existing production testing operations in Wyoming.

PRODUCTION TESTING IN NORTH DAKOTA



The North Dakota expansion accesses the Bakken resource play, which is a growing, non-conventional crude oil resource play. While the existence of the resource play has been known for decades, it has only been the introduction of new drilling and completions techniques that have allowed the potential of this resource play to be tapped. While the development of the Bakken resource play has been a highlight of the oil industry in Canada with much fan fare over the last few years, the development of the Bakken play in North Dakota has been quietly progressing. Rather than attempting to break into the highly competitive Canadian marketplace, we chose to leverage off of our existing customer relationships and participate in the development of the Bakken resource play via North Dakota.

As one of the first service providers to expand aggressively into this area, we have established a strong position ahead of our competitors. As well, local governments provided us incentives to establish a field office in Minot, North Dakota.

From our Wyoming operating base we provide production testing and wireline services. We realized success very quickly through our expansion of wireline services into this operating base during 2008. Our operational performance combined with competitive pricing resulted in a quick move up to the top of the list of preferred suppliers for our key customers. We routinely provide highly technical perforating services with our wireline units and our success in this area is measured by the market share we are gaining from our much larger competitors in this area.

As a result of these positive initiatives during 2008, revenue from our US segment increased to \$98.8 million during the year from \$40.1 million in 2007. This strong increase in revenue combined with the operating efficiencies from the higher activity levels resulted in gross margin as a percentage of revenue to increase to 22% from 18% in 2007.

Outlook for 2009

US exploration activity continued at a high level through 2008, particularly in the specific areas we serve. The drop in commodity prices later in 2008 did not affect projects already committed to by the major producers who are among our customers. However, we have begun to see signs of industry activity slowdowns in our US operations and expect pressure on activity levels to increase during 2009 as the industry is expected to continue to slowdown.

Paramount in our strategy to proactively combat the effects of lower industry activity levels in 2009 is to maintain and leverage off of the strong relationships we have built with our customers. We have continually demonstrated our ability to provide an efficient and cost effective solution to our customers and have the ability to move equipment and respond to customer needs – to be where the action is.

Generally, the US service industry is not over-supplied to the extent that it is in Canada. There is less of a gap between the supply of services and the demand for them. There are only a few, very large service companies that are set up to provide the full complement of services required on an unconventional resource play drilling pad. We too can provide many of the services our very large competitors offer, however, we have one advantage that we believe our larger competitors don't have – we are a smaller, more nimble service provider that can focus exclusively on our customers to provide a cost effective and efficient response to their needs.

Our US operations have been a significant contribution to Pure's financial results in 2008 and we believe our US operations will be a key contributor to our financial success in 2009.

Canadian Completions Services

Canadian Completions Services (“CCS”) was our original business. We began operations in 2001 and have grown to a total of 35 production testing and 34 wireline units operating in the Western Canadian Sedimentary Basin (“WCSB”) today.

Our CCS segment provides a number of services within WCSB including well logging, perforating, completions support, pressure recording, tool fishing and other miscellaneous well maintenance services within the segment's wireline division. The segment's production testing division primarily performs well flow testing and fracturing flow back services. Production testing services are augmented by our Pressure Transient Analysis division.

The traditional staple of our CCS operations has been providing production testing and wireline services to the conventional shallow natural gas industry. While this segment of the industry served us well for many years, the financial returns for this segment of the industry have been challenged since the second half of 2006. Declining commodity prices, increasing costs and low production have caused development of this resource to decline in favor of other more prolific unconventional resource plays in areas such as northeast British Columbia and Alberta. Also, high oil commodity prices caused an increase in activity in Saskatchewan in recent years, further causing our customers to reallocate capital resources away from conventional shallow natural gas development. Changes to the Alberta royalty rates announced in 2007 that took effect January 1, 2009 also likely had a strong influence on the change in investment decisions by our customers to move their investment out of Alberta and into the more favorable royalty regimes of British Columbia and Saskatchewan.

As a result of the lower industry activity levels experienced in 2008, revenue for our CCS segment declined to \$55.3 million in 2008 versus \$61.1 million in 2007. The lower activity combined with competitive pricing pressures and higher operating costs caused the segment's gross margins as a percentage of revenue to decline to 20% during 2008 from the 23% generated in the prior year.

These lower operating results are disappointing to us and we are taking aggressive measures to improve the financial performance of our CCS segment. Among these measures, we have begun reducing staffing levels and overhead costs to right-size the organization to reflect the current lower activity levels. In addition, we have been focusing on expanding our service offerings outside of the currently depressed shallow conventional natural gas development areas.

While we certainly believe that shallow conventional natural gas will have its place in the Canadian oil and natural gas industry again at some point in the future, we have taken steps to respond to the changes in our customers current investment activities. In particular during 2008 we took the following steps to balance our exposure to other resource plays:

- ❑ Transferred eight low-pressure production testing and two wireline units from Canada into our busier US completion services operations;

WIRELINE OPERATIONS IN CANADA



- ❑ Purchased three high-pressure production testing units which are being used in the unconventional natural gas resource plays such as the Montney resource play in northeast British Columbia;
- ❑ Utilized the expertise from our US operations personnel to assist in the successful entry into multi-stage perforating operations in the technically challenging Montney resource play. This expertise was gained by our US personnel through their years of operations in similar technically challenging areas in the US and this knowledge has been transferred to our CCS personnel.

We believe that these measures will provide a more balanced operating profile for our CCS segment in the future and we will continue to optimize our CCS operating fleet and service offerings to meet the needs of our customer base.

Outlook for 2009

We believe the Canadian market will be challenging for our CCS operations in 2009. Low activity levels that have prevailed from the last two years will continue in 2009, with the key catalyst to return the industry to higher activity being a significant increase in natural gas pricing.

In recent years there has been a significant build up in equipment within the WCSB in response to the strong commodity prices that were experienced a few years ago. However, as a result of the sharp decline in industry activity levels, the industry is now in a position of having an oversupply of equipment for the level of activity in the WCSB. This oversupply is leading competitive pricing pressures as companies strive to maintain sufficient levels of activity to support their business operations. We expect that the competitive landscape will be significantly different once we emerge from this down cycle and the magnitude of the impact of these changes in the landscape will largely depend on how long the down cycle lasts in this market.

For 2009 our focus will be to ensure we balance the fine line of reducing our cost structure to ensure we can remain profitable in the expected low activity levels for 2009, while still maintaining sufficient operational resources to respond to the eventual increase in industry activity levels. We will continue to relocate our equipment and resources into areas of higher activity, which unlike a number of our smaller competitors includes our US operations.

Drilling Services

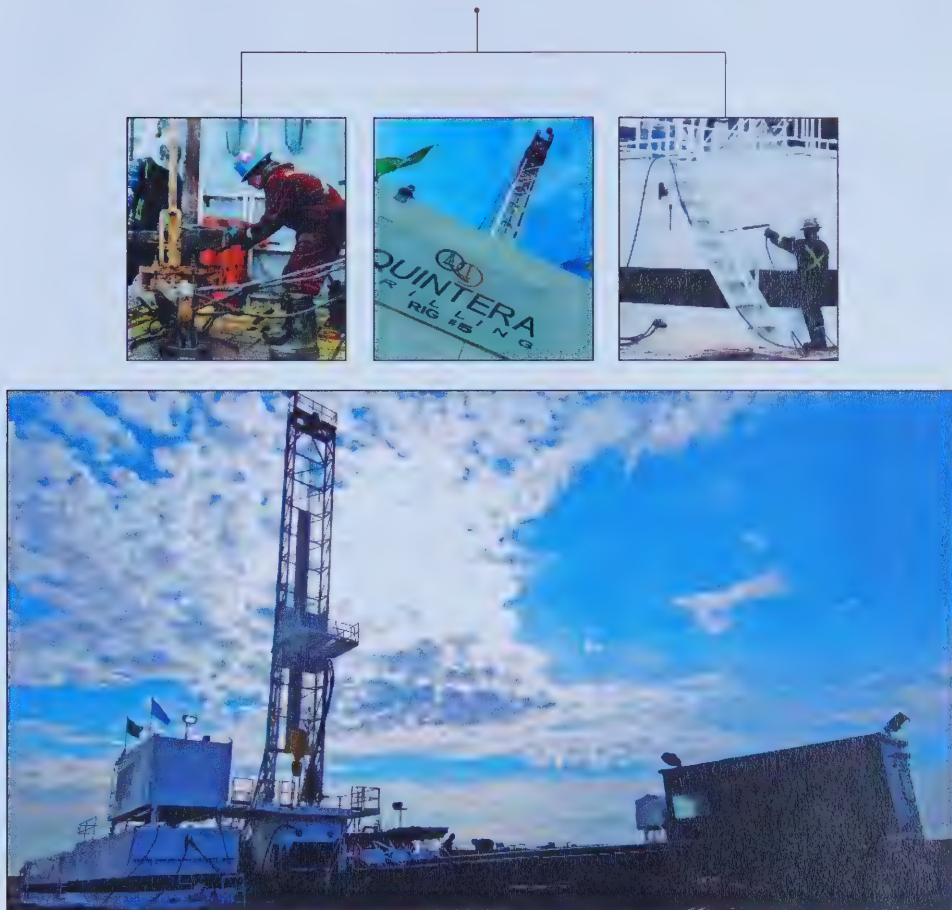
In December 2004 we diversified our operations with the acquisition of four drilling rigs comprising our Quintera drilling division. Since that time we have continued to expand this division with the addition of seven additional rigs less the sale of our oldest drilling rig acquired in 2004.

Our drilling rig fleet currently consists of five double and five single rigs. Our double rigs have a depth capacity ranging from 2,000 meters to 3,400 meters and operate throughout the WCSB. Our single rigs have a depth capacity of 1,400 meters and operate in both the shallow natural gas and heavy oil regions of Alberta.

In order to enhance the value of our service offerings to our customers, in November 2005 we completed the acquisition of Motorworks Drilling Solutions Inc ("Motorworks"). At that time, Motorworks had a fleet of eight performance drilling mud motors which were either rented to oil and natural gas exploration companies or utilized in the provision of directional drilling services. Motorworks now owns a fleet of 54 performance drilling motors and provides full directional drilling services directly to our oil and natural gas exploration customers.

The combination of Quintera and Motorworks has allowed us to participate more fully within the drilling services value chain as we have exposure to both traditional vertical drilling as well as the expanding directional drilling market. With the increasing focus on environmental impact and landholder concerns over access rights, directional drilling is growing in importance as it provides the

QUNITERRA DRILLING RIG OPERATIONS



ability for companies to drill multiple wells from a single surface location versus the traditional vertical drilling methods which require multiple surface locations to drill wells into the same reservoirs that directional drilling can access. Directional drilling is also a key technology utilized in the development on unconventional natural gas resource plays in northeast British Columbia and Alberta.

During 2008 our Drilling Services group was able to improve its performance over 2007 and generated \$38.4 million in revenue during the year versus \$23.9 million in 2007. Contract drilling services improved results in both number of jobs and rig utilization in 2008. The improvement was largely due to a full year of operations with our deeper depth capacity rigs constructed in 2007 which allowed us to pursue the busier areas of western Canada. With the addition of the deeper depth capacity rigs in 2007, we were also successful in marketing an integrated package which included the rig, performance and/or directional drilling services through our MotorWorks Drilling Solutions division. For 2009 we have successfully repeated the integrated sales approach for our deep depth capacity rigs.

The higher activity levels in our Drilling Services division allowed us to generate a 26% gross margin as percentage of revenue which was consistent with the 27% generated in 2007. The higher utilization in the current year provided us with greater economies of scale and improved operating efficiencies which offset the negative impact of competitive pricing pressures in the industry and inflationary cost pressures for labor and materials and services.

Our drilling division has operated with the same management team since before our purchase of the Quintera assets and this continuity is a significant factor in its success through all points in the cycle. With 10 relatively new rigs in the fleet and long-standing crews, we believe this provides us with a competitive advantage as we have been able to build strong long-term relationships with our customers. These relationships are important to the customers, resulting in us being a supplier of choice for many of our customers.

Outlook for 2009

Similar to our CCS segment, activity for our Drilling Services segment is expected to be negatively impacted in 2009 due to the continued slowdown in industry activity levels in the WCSB. We are uncertain as to what level of activity our drilling rigs will achieve in 2009, however, we believe that our long-term customer relationships as well as our proven ability to consistently generate positive financial results from this division, due to its variable cost structure, will allow our Drilling Services segment to positively contribute to our financial results in 2009.

Similar to measures being taken in our other segments, we are aggressively focusing on reducing our operating costs in reflection of the lower activity levels that will be faced in 2009.

Safety Standards and Policies

Pure operates across jurisdictions in both Canada and US to provide services to a range of customers from the largest producers to smaller players. Our success depends on maintaining the highest standards of safe operating practices.

We maintain an annual Certificate of Recognition program to highlight, continuously update and educate personnel about safety standards and practices. The emphasis on this program is important to convey the importance of working safely throughout the organization.

We also participate in the Personal Injury Reduction Program through the Workmen's Compensation Board in Canada. Additional processes all geared to safe working standards include current insurance policies, a drug and alcohol program and regular transportation audits to ensure our vehicles are in compliance with established standards.

Our safety policy is reviewed annually by our Board, communicated through the Corporation and made public on our website. The investment in safety programs and education is important to keep our employees healthy on the job but it is equally important to our customers who, in turn, require high safety standards from their suppliers. This commitment is all part of service quality to our customers.

The success of our safety program is illustrated through our Canadian Completions operations which celebrated one year without a lost-time accident.

This document contains certain forward-looking statements and other information that are based on the Corporation's current expectations, estimates, projections and assumptions made by management in light of its experience and perception of historical trends, current conditions, anticipated future developments and other factors believed by management to be relevant.

All statements and other information contained in this document that address expectations or projections about the future are future-looking statements. Some of the forward-looking statements may be identified by words such as "may", "would", "could", "will", "intends", "expects", "believes", "plans", "anticipates", "estimates", "continues", "maintains", "projects", "indicates", "outlook", "proposed", "objective" and other similar expressions. These statements speak only as of the date of this document. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed below and under "Risks and uncertainties" discussed in the Corporation's MD&A of the audited December 31, 2008 financial statements and the most recent Annual Information Form, Information Circular, quarterly reports, material change reports and news releases. The Corporation cannot assure investors that actual results will be consistent with the forward-looking statements and readers are cautioned not to place undue reliance on them. The forward-looking statements are provided as of the date of this document and, except as required pursuant to applicable securities laws and regulations, the Corporation assumes no obligation to update or revise such statements to reflect new events or circumstances.

The forward-looking statements and information contained in this document reflect several major factors, expectations and assumptions of the Corporation, including without limitation, that the Corporation will continue to conduct its operations in a manner substantially consistent with past operations; the general continuance of current or, if applicable, assumed industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) taxation, royalty and regulatory regimes; certain commodity prices and other cost assumptions; certain conditions regarding natural gas storage in North America; the continued availability of adequate debt and/or equity financing and cash flow from the Corporation's operations to fund its capital and operating requirements as needed; and the extent of its liabilities. Many of these factors, expectations and assumptions are based on management's knowledge and experience in the industry and on public disclosure of industry participants and analysts relating to anticipated exploration and development programs of oil and gas producers, the effect of changes to regulatory, taxation and royalty regimes, expected active rig counts and industry equipment utilization in the WCSB and the Rocky Mountain region and other matters. The Corporation believes that the material factors, expectations and assumptions reflected in the forward-looking statements and information are reasonable; however, no assurances can be given that these factors, expectations and assumptions will prove to be correct.

In particular, this document contains forward-looking information pertaining to the following: ability to reduce costs in response to lower industry activity levels; success of marketing programs; capital expenditure programs; ability to move equipment within operating locations; availability of debt financing and ability to renew the Corporation's existing facilities at acceptable terms; supply and demand for oilfield services and industry activity levels; oil and natural gas prices; oil and natural gas drilling activity; treatment under governmental royalty, collection of accounts receivable; operating risk liability; expectations regarding market prices and costs; expansion of services and operations in Canada and the United States; and competitive conditions.

The Corporation's actual results could differ materially from those anticipated in such forward-looking statements as a result of the risk factors set forth below: general economic conditions in Canada and the United States; changes in the level of capital expenditures made by oil and natural gas producers and the resultant effect on demand for oilfield services during drilling and completion of oil and natural gas wells; volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oilfield services generally; risks inherent in the Corporation's ability to generate sufficient cash flow from operations to meet its current and future obligations; increases in debt service charges; the Corporation's ability to access external sources of debt and equity capital; changes in legislation and the regulatory environment, including uncertainties with respect to implementing binding targets for reductions of emissions; uncertainties in weather and temperature affecting the duration of the oilfield service periods and the activities that can be completed; competition; sourcing, pricing and availability of raw materials, consumables, component parts, equipment, suppliers, facilities, and skilled management, technical and field personnel; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; ability to integrate technological advances and match advances of competition; credit risk to which the Corporation is exposed in the conduct of its business; and changes to the royalty regimes applicable to entities operating in the WCSB or the Rocky Mountain region.

Four Year Summary

<i>(\$000's except where noted)</i>	2008	2007	2006	2005
Financial				
CCS revenue	55,306	61,101	80,311	71,687
USCS revenue	98,805	40,078	22,536	13,267
Drilling revenue	38,395	23,907	32,508	15,539
Total revenue	192,506	125,086	135,355	100,493
Gross margin	42,886	27,967	44,219	34,898
Gross margin %	22%	22%	33%	35%
General and administrative	21,558	21,549	17,100	11,630
EBITDA	20,907	6,661	27,695	23,761
Net income	1,012	(3,529)	13,046	10,817
Net income per share (\$):				
Basic	0.06	(0.22)	0.84	0.99
Diluted	0.06	(0.22)	0.81	0.97
Funds flow from operations	17,286	4,322	28,084	22,651
Capital expenditures	27,432	35,840	66,603	43,805
Total assets	229,215	193,254	192,606	123,135
Total long-term debt	65,314	40,833	13,667	26,297
Operating (Units as noted)				
Production testing units - ending	69	67	67	50
Production testing units - average	67.0	67.6	57.6	41.9
Wireline units - ending	40	40	38	34
Wireline units - average	40.1	38.9	35.9	30.9
Fracturing spreads - ending	3	2	1	0
Fracturing spreads - average	3.0	1.8	0.1	0.0
Drilling rigs - ending	10	9	9	6
Drilling rigs - average	10.0	9.5	7.3	4.3
Mud motors - ending	54	59	56	8
Mud motors - average	58.3	59.2	33.9	1.3
Market				
Share price - December 31 (\$)	1.58	4.00	13.40	n/a
Year high (\$)	8.30	13.40	25.74	n/a
Year low (\$)	0.99	3.71	11.45	n/a
Common share outstanding (000s)	15,905	15,847	15,847	12,689
Weighted average				
shares outstanding (000s)	15,896	15,847	15,516	10,910

Board of Directors

J. Kevin Delaney

President, Chief Executive Officer and Director

Harold R. Allsopp ⁽¹⁾⁽²⁾

Independent Businessman

Robert Wilkinson ⁽¹⁾⁽²⁾⁽³⁾

Independent Businessman

Paul F. Little ⁽³⁾

Investment Manager, Westover Investments Inc.

James C. Smith ⁽¹⁾⁽³⁾

Independent Businessman

Neal A. Stanley ⁽²⁾

President of Teton Oil & Gas Corporation

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Corporate Governance Committee

Executive Officers

J. Kevin Delaney

President, Chief Executive Officer and Director

Brian B. Peters

Chief Financial Officer

Ian H. Buchanan

Senior Vice President and Corporate Counsel

Rutger C.L. Niers

Executive Vice President

M. Paul DeBonis

President, Pure Energy Services (USA), Inc.

Corporate Head Office – Canada

10th Floor, 333 - 11th Avenue SW
Calgary, AB T2R 1L9

Phone: (403) 262-4000

Fax: (403) 237-9728

Website: www.pure-energy.ca

Corporate Office - USA

9635 Maroon Circle, Suite 420
Englewood, CO 80112

Phone: (303) 708-0200

Fax: (303) 708-0212

Banking Institution

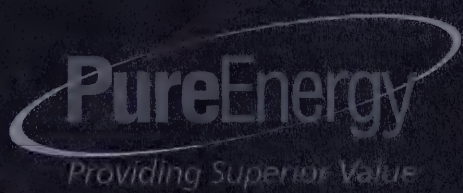
HSBC Bank Canada

Transfer Agent

Olympia Trust Company

Auditor

KPMG LLP



*Management's Report***To the Shareholders of Pure Energy Services Ltd.**

The accompanying consolidated financial statements and all information in the Management's Discussion and Analysis are the responsibility of management and the Board of Directors of the Corporation. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgments. The financial and operating information presented in the Management's Discussion and Analysis is consistent with that shown in the consolidated financial statements.

Management maintains an appropriate system of internal controls, which ensure transactions are appropriately authorized and accurately recorded, assets are safeguarded and financial records are properly maintained.

External auditors, appointed by the shareholders, have conducted an examination of the consolidated financial statements and have provided an independent professional opinion. The Audit Committee, appointed by the Board of Directors and comprised of a majority of directors who are not officers or employees of the Corporation, has reviewed the consolidated financial statements with management and the external auditors and has reported to the Board of Directors. The Board has approved the financial statements.

*J. KEVIN DELANEY*

President and Chief Executive Officer

*BRIAN B. PETERS*

Chief Financial Officer

Calgary, Canada

March 18, 2009

Auditors' Report

To the Shareholders of Pure Energy Services Ltd.

We have audited the consolidated balance sheets of Pure Energy Services Ltd. as at December 31, 2008 and 2007 and the consolidated statements of income (loss) and retained earnings, comprehensive income (loss) and accumulated other comprehensive income (loss) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada
March 18, 2009

CONSOLIDATED FINANCIAL STATEMENTS

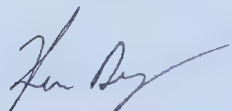
Consolidated Balance Sheets

As at December 31

(Stated in thousands of dollars)		2008	2007
Assets			
Current assets			
Cash and cash equivalents		\$ 4,201	\$ 2,043
Accounts receivable		37,304	22,176
Inventory	(Note 4)	5,041	2,915
Deposits and prepaid expenses		1,996	1,514
		48,542	28,648
Property and equipment	(Note 5)	179,002	162,291
Intangible assets	(Note 6)	1,671	2,315
		\$ 229,215	\$ 193,254
Liabilities and Shareholders' Equity			
Current liabilities			
Operating loan	(Note 8)	\$ —	\$ 1,568
Accounts payable and accrued liabilities		16,598	13,539
Income taxes payable		1,455	274
Deferred government grant	(Note 7)	270	—
Current portion of long-term debt	(Note 8)	7,909	333
		26,232	15,714
Long-term debt	(Note 8)	57,405	40,500
Future income taxes	(Note 9)	4,886	6,973
		88,523	63,187
Shareholders' equity			
Share capital	(Note 11)	106,510	106,002
Contributed surplus	(Note 11)	3,511	2,853
Accumulated other comprehensive income (loss)	(Note 11)	4,349	(4,098)
Retained earnings		26,322	25,310
		140,692	130,067
Commitments and contingencies	(Note 13)	\$ 229,215	\$ 193,254

See accompanying notes to consolidated financial statements.

Approved by the Board:



J. KEVIN DELANEY

Director



J. C. SMITH

Director

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Income (Loss) and Retained Earnings

For the years ended December 31,

<i>(Stated in thousands of dollars, except per share amounts)</i>		2008	2007
Revenue		\$ 192,506	\$ 125,086
Operating expenses		149,620	97,119
Gross margin		42,886	27,967
Expenses			
Selling, general and administrative		21,558	21,549
Depreciation and amortization		15,728	12,581
Interest on long-term debt		2,304	1,913
Other interest		326	534
Gain on sale of equipment		(113)	(2,135)
Impairment of intangible assets and goodwill	(Note 6)	376	1,230
Impairment of note receivable	(Note 10)	—	736
Other expense (income)		158	(74)
Income (loss) before income taxes		2,549	(8,367)
Income taxes	(Note 9)		
Current expense		2,375	903
Future reduction		(838)	(5,741)
		1,537	(4,838)
Net income (loss)		1,012	(3,529)
Retained earnings, beginning of year		25,310	29,556
Adjustment relating to fair value accounting of financial instrument		—	(717)
Retained earnings, end of year		\$ 26,322	\$ 25,310
Earnings (loss) per share	(Note 12)		
Basic		\$ 0.06	\$ (0.22)
Diluted		\$ 0.06	\$ (0.22)

See accompanying notes to consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)

For the years ended December 31,

<i>(Stated in thousands of dollars)</i>	<i>2008</i>	<i>2007</i>
Comprehensive income (loss)		
Net income (loss)	\$ 1,012	\$ (3,529)
Other comprehensive income (loss):		
Foreign currency translation adjustment	<i>8,447</i>	<i>(4,339)</i>
Comprehensive income (loss)	\$ 9,459	\$ (7,868)
Accumulated other comprehensive income (loss)	<i>2008</i>	<i>2007</i>
Balance, beginning of year	\$ (4,098)	\$ –
Impact of translating financial statements of self-sustaining foreign operations on January 1, 2007	–	241
Unrealized gain/(loss) on translation of foreign operations during the year	<i>8,447</i>	<i>(4,339)</i>
Balance, end of year	\$ 4,349	\$ (4,098)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31,

<i>(Stated in thousands of dollars)</i>		2008	2007
Cash provided by (used in)			
Operating activities			
Net income (loss)		\$ 1,012	\$ (3,529)
Items not involving cash:			
Depreciation and amortization		15,728	12,581
Stock-based compensation expense		1,116	1,268
Impairment of intangible assets and goodwill	(Note 6)	376	1,230
Future income tax reduction		(838)	(5,741)
Impairment of note receivable	(Note 10)	–	736
Interest income on note receivable	(Note 10)	–	(112)
Gain on sale of equipment		(113)	(2,135)
Unrealized foreign exchange loss		5	24
		17,286	4,322
Changes in non-cash working capital balances	(Note 15)	(12,428)	11,544
		4,858	15,866
Investing activities			
Purchases of property and equipment		(27,432)	(35,840)
Proceeds from the sale of equipment		547	6,286
Note receivable		–	5,098
Changes in non-cash working capital balances	(Note 15)	676	(3,562)
		(26,209)	(28,018)
Financing activities			
Operating loan		(1,568)	(14,643)
Net proceeds from revolving term loans		20,489	27,500
Proceeds from fixed term loans		3,840	–
Repayment of fixed term loans		(541)	(333)
Government grant received		245	–
Issue of share capital		50	–
		22,515	12,524
Increase (decrease) in cash		1,164	372
Effect of translation on foreign currency cash and cash equivalents		994	(686)
Cash, beginning of year		2,043	2,357
Cash, end of year		\$ 4,201	\$ 2,043

Supplemental information

(Note 15)

See accompanying notes to consolidated financial statements.

1. Nature of operations

Pure Energy Services Ltd. (the "Corporation") is incorporated under the Business Corporations Act (Alberta) and provides completion and drilling related oilfield services to oil and gas exploration and development entities in the Western Canadian Sedimentary Basin and the US Rocky Mountain region.

The ability to move heavy equipment in oil and gas fields in Canada and North Dakota is dependent on weather conditions, whereby thawing in the spring renders many secondary roads incapable of supporting heavy equipment until the ground is dry. In addition, locations in more northern regions of Canada are accessible only in winter months where the ground is frozen enough to support the equipment. As a result of this seasonality, the Corporation's activity is traditionally higher in the first and fourth quarters of the year than in the second and third quarters.

2. Significant accounting policies

a) Principles of consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries and partnership from their respective dates of acquisition or incorporation. All intercompany balances and transactions have been eliminated on consolidation in accordance with Canadian generally accepted accounting principles ("GAAP").

b) Cash and cash equivalents

Cash and cash equivalents include cash in banks and short term investments with maturities of less than 90 days.

c) Inventory

Inventory consists of fracturing sand, chemicals, supplies, spare parts and promotional items. Fracturing sand and chemicals are carried at the lower of cost or market with cost determined under the first-in, first-out method and market defined as net realizable value. Supplies, spare parts and promotional items are recorded at the lower of cost or market with costs determined on an average or specific item basis, depending on the item, and market defined as replacement cost.

d) Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated after providing for estimated salvage values at a rate which is expected to depreciate the cost of the asset over its estimated useful life. The methods and rates applied are:

Asset Category	Method	Rate
Automotive	declining balance	30%
Buildings	declining balance	6%
Completion services equipment	straight-line	7 to 10 years
Drilling services equipment	unit of production	based on 3,650 operating days
Drilling rental equipment	straight-line	10 years
Furniture and fixtures	declining balance	20% to 30%
Leaseholds improvements	straight-line	5 years

Completion services equipment, drilling equipment and drilling rental equipment are depreciated to an expected residual value of 20% of the original cost.

Management bases the estimate of the useful life and salvage value of property and equipment on expected utilization, technological change and effectiveness of maintenance programs. Although management believes the estimated useful lives of the Corporation's property and equipment are reasonable, it is possible that changes in estimates could occur which may affect the expected useful lives.

e) Intangible assets

Intangible assets are recorded at cost. Amortization is provided on a straight line basis over the estimated useful lives of the assets, using 10 years for customer lists and 5 years for pre-operating expenditures.

f) Income taxes

Income taxes are calculated using the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply when the asset is realized or the liability settled. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in income in the period that substantive enactment or actual enactment occurs. The computation of the provision for income taxes involves tax interpretations, regulations and legislation that are continually changing.

g) Stock-based compensation plan

The Corporation has a stock-based compensation plan as outlined in Note 11(c). The Corporation accounts for stock options using the Black-Scholes option pricing model. Under this method, all stock options issued under the stock-based compensation plan generate an expense to the Corporation based on the expected future benefit to the holder as determined by the difference between the exercise price and the share price on the date of grant as impacted by the vesting period of the options, the potential price volatility, the length of the option period and other valuation factors. The expense is recognized over the vesting period of the options. When stock options are exercised, the proceeds together with the amount recorded in contributed surplus are recorded in share capital.

h) Revenue recognition

The Corporation recognizes revenue at the time the product is provided or service is performed on a daily, hourly or job basis. Revenue is not recognized before there is persuasive evidence that an arrangement exists, delivery has occurred or the service has been provided, the rate is fixed and determinable, and the collection of outstanding amounts is considered probable. The Corporation considers persuasive evidence to exist when a formal contract is signed or customer acceptance is obtained. Contract terms do not include a provision for post-service obligations.

i) Long-lived assets

Long-lived assets, which include property and equipment and intangible assets, are tested for impairment annually, or more frequently as circumstances require. Indications of impairment include items such as an ongoing lack of profitability and significant changes in technology.

When an indication of impairment is present, the Corporation tests for impairment by comparing the carrying value of the asset to its net recoverable amount. If the carrying amount is greater than the net recoverable amount, the asset is written down to its estimated fair value.

j) Foreign currency translation

The Corporation's United States subsidiary is considered financially and operationally independent from the Corporation and is therefore classified as a self-sustaining foreign operation for which the current rate method is used to translate its financial statements. Under this method, net assets are translated at year-end rates and income and expense accounts are translated at average exchange rates. Adjustments resulting from these translations are reflected in the shareholders' equity section of the consolidated statements of operations and retained earnings as accumulated other comprehensive income.

k) Earnings (loss) per share

Basic per share data is calculated using the weighted average number of common shares outstanding during the year. Under the treasury stock method, diluted per share data is calculated based on the weighted average number of shares issued and outstanding during the year, adjusted by the total of the additional common shares that would have been issued assuming exercise of all stock options with exercise prices at or below the average market price for the year, offset by the reduction in common shares that would be re-purchased with the exercise proceeds.

l) Use of estimates

These consolidated financial statements are prepared in accordance with GAAP. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

m) Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

3. Adoption of new accounting standards

- a) On January 1, 2008, the Corporation adopted the following new accounting standards issued by the Canadian Institute of Chartered Accounts ("CICA"). These new standards, which apply to fiscal years beginning on or after October 1, 2007 or on or after January 1, 2008 in the case of Section 3031 "Inventories", have been adopted on a prospective basis with no restatement of prior period financial statements.

INVENTORIES

The Corporation adopted the new recommendations of the CICA Handbook Section 3031 "Inventories". This section provides guidance on the determination of the cost of inventories to be recognized as an asset and its subsequent recognition of an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories and requires additional disclosure. These additional disclosures can be found in Note 4 of the consolidated financial statements. The adoption of these recommendations did not have a material impact on the Corporation's financial statements.

FINANCIAL INSTRUMENTS

The Corporation adopted the new recommendation of the CICA Handbook Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation”. These new sections will replace Section 3861 to prescribe the requirements for presentation and disclosure of financial instruments. These additional disclosures can be found in Note 17 to the consolidated financial statements. The adoption of these Handbook Sections did not have a material impact on the financial statements.

CAPITAL DISCLOSURES

The Corporation adopted the new recommendation of the CICA Handbook Section 1535 “Capital Disclosures”. This section requires the disclosure of qualitative and quantitative information about the Corporation’s objective, policies and processes for managing capital. These additional disclosures can be found in Note 16 to the consolidated financial statements. The adoption of this Handbook Section did not have a material impact on the Corporation’s financial statements.

- b) Two new accounting changes have been adopted by the CICA which will become effective in upcoming years. The CICA’s Accounting Standards Board (“AcSB”) announced that publicly accountable enterprises will adopt International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) effective January 1, 2011. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed.

The transition from current Canadian GAAP to IFRS is a significant undertaking. The Corporation is in the process of reviewing the potential impact of IFRS on the Corporation’s financial accounting and reporting processes. The Corporation has established an IFRS conversion steering committee which will be reviewing the Corporation’s existing accounting policies and disclosures during 2009 and assessing the impact to these policies and disclosures in reference to standards differences between IFRS and Canadian GAAP.

Based on an initial review of the differences between IFRS and Canadian GAAP, the Corporation’s steering committee has identified a number of areas which may result in significant adjustments to the Corporation’s accounting policies and disclosures. The Committee’s primary focus for 2009 will be to focus on these areas where significant effort will be required to adjust the Corporation’s current accounting policies to conform to IFRS. The Committee anticipates completing its assessment of high impact areas during 2009 and based on this assessment, the Committee will begin to undertake the process of quantifying the impact of these IFRS changes on the Corporation’s financial statements at the end of 2009 and into 2010.

The CICA also implemented revisions to standards dealing with Intangible Assets effective for fiscal years beginning on or after October 1, 2008. The revisions are intended to align the definition of an Intangible Assets under Canadian GAAP with that under IFRS. Section 1000, “Financial Statement Concepts” was revised to remove material that permitted the recognition of assets that might not otherwise meet the definition of an asset and to add guidance from the IASB’s “Framework for the Preparation and Presentation of Financial Statements” that will help distinguish assets from expenses. Section 3064 “Goodwill and Intangible Assets”, which replaces Section 6052 “Goodwill and Other Intangible Assets”, gives guidance on the recognition of intangible assets as well as the recognition and measurement of internally developed intangible assets. The Corporation does not expect these changes to have a material effect on its financial statements.

4. Inventory

	2008	2007
Inventory of repair and maintenance parts	\$ 3,259	\$ 1,591
Inventory of fracturing sand and chemicals	1,761	1,250
Inventory of miscellaneous items	21	74
	\$ 5,041	\$ 2,915

During the years ended December 31, 2008 and 2007, there were no write-downs of inventory and no reversals of prior inventory write-downs recognized as all inventory is currently carried at cost. All the Corporation's assets, including inventory, have been pledged as security under the Corporation's debt facilities.

5. Property and equipment**2008**

	Cost	Accumulated Amortization	Net Book Value
Completion services equipment	\$ 136,092	\$ 33,462	\$ 102,630
Drilling services and rental equipment	52,338	1,499	50,839
Buildings	10,799	4,344	6,455
Furniture and fixtures	7,791	4,462	3,329
Automotive	4,503	2,953	1,550
Land	7,547	—	7,547
Leasehold improvements	1,138	295	843
Assets under construction	5,809	—	5,809
	\$ 226,017	\$ 47,015	\$ 179,002

2007

	Cost	Accumulated Amortization	Net Book Value
Completion services equipment	\$ 121,529	\$ 22,097	\$ 99,432
Drilling services and rental equipment	49,106	2,650	46,456
Buildings	6,586	1,092	5,494
Furniture and fixtures	6,924	3,323	3,601
Automotive	4,379	2,325	2,054
Land	2,283	—	2,283
Leasehold improvements	443	187	256
Assets under construction	2,715	—	2,715
	\$ 193,965	\$ 31,674	\$ 162,291

6. Intangible assets**2008**

	Cost	Accumulated Amortization	Net Book Value
Customer lists	\$ 390	\$ 124	\$ 266
Non-competition agreement	161	161	—
Pre-operating expenditures	2,541	1,136	1,405
	\$ 3,092	\$ 1,421	\$ 1,671

2007

	Cost	Accumulated Amortization	Net Book Value
Customer lists	\$ 850	\$ 207	\$ 643
Non-competition agreement	161	143	18
Trade name	134	36	98
Pre-operating expenditures	2,067	511	1,556
	\$ 3,212	\$ 897	\$ 2,315

The customer lists, non-competition agreement and a trade name were acquired as part of two business acquisitions completed in 2006. An impairment in the amount of \$376 was recognized at December 31, 2008 for the value of a customer list and trade name related to one of the divisions acquired in 2006. This impairment decision was made by management based on a change in business strategy for that division which will see the business operations of that division merged with the Corporation's other existing wireline divisions.

During 2007, the Company recorded an impairment loss of \$1,230 for the full carrying value of goodwill as the carrying amount of the goodwill exceeded its fair value.

The pre-operating expenditures relate to the costs associated with the start-up of new businesses in the United States. These costs were deferred and were recorded at cost, net of incidental revenue and since commercial operations have commenced, are being amortized over a period of five years. The Corporation began amortization relating to the wireline division and fracturing division in the United States during June 2006 and December 2006 respectively.

7. Deferred government grant

The Corporation received US \$600 in governmental financial assistance in the forms of start-up grants and a forgivable loan to assist the Corporation in establishing a new operating base in the United States. Among certain initial funding conditions, the agreement requires the Corporation to meet certain conditions with respect to ongoing operating and employment requirements until May 2014. As at December 31, 2008, US \$222 (CDN \$270) of the original assistance amount has been deferred and will be recognized into income over the remaining term of the agreement. The Corporation has provided a mortgage and security agreement granting the local government a first lien upon the premises in that city and an irrevocable letter of credit until July 1, 2011 in the amount of US \$100 listing the city that provided the grant as sole beneficiary.

Should the Corporation fail to continue to comply with the conditions of the financial assistance over the term of the agreement, up to US \$400 of the original financial assistance may become repayable at the option of the local government. As at December 31, 2008, the Corporation is in full compliance with the terms of the agreement.

8. Debt facilities

The Corporation has access to a \$20,000 revolving demand operating loan. Advances are available at either the bank's prime rate plus 0.5% or subject to availability at the bank's Bankers' Acceptance rate plus 1.75%, or in combination thereof. US dollar advances are available with interest at the bank's US base rate plus 0.5% per annum. No amounts were drawn upon this facility as at December 31, 2008.

The Corporation has a \$60,000 extendible revolving term loan facility and a \$4,000 non-revolving term loan facility. Advances under the extendible revolving term loan facility are available at one of the bank's prime rate plus 0.5%, or subject to availability, either at the bank's Bankers' Acceptance rate plus 1.75% or the bank's fixed rate, or in combination thereof. The extendible revolving facility is extendible annually at the bank's option. The current extension date of this facility is June 30, 2009. Should this facility not be extended, outstanding amounts will be repayable monthly over a four-year term.

The non-revolving term loan facility has been advanced at the bank's prime rate plus 0.75% and is repayable monthly over fifteen years. The loan is secured by mortgages covering all of the Corporation's Canadian real property.

The above facilities are collateralized by a general security agreement, a general assignment of book debts and a corporate guarantee from the Corporation's wholly owned subsidiaries. The facilities require the Corporation to maintain certain covenants. The Corporation was in compliance with these covenants at December 31, 2008.

Additionally, the Corporation has a US\$3,500 term loan advanced at the US Bank consensus prime rate minus 1%, adjusted annually on the anniversary date. The loan is repayable monthly over 10 years and is secured by a mortgage covering certain of the Corporation's United States real property.

The table below summarizes the amounts outstanding under various credit facilities available to the Corporation.

	2008	2007
Revolving term loan facility	\$ 56,989	\$ 36,500
Non-Revolving term loan facility	4,000	4,333
Capital lease	237	–
US term loan facility	4,088	–
	\$ 65,314	\$ 40,833
Less current portion	7,909	333
	\$ 57,405	\$ 40,500

Principal payments required subsequent to year end are:

2009	\$ 7,909
2010	15,042
2011	15,020
2012	14,986
2013 and thereafter	12,357
Total	65,314

9. Income taxes

Income tax expense differs from the amount that would be computed by applying the effective federal and provincial statutory income tax rates of 29.75% (2007 – 32.26%) to income before income taxes and is reconciled as follows:

	2008	2007
Net income before tax	\$ 2,549	\$ (8,367)
Statutory income tax rate	29.75%	32.26%
Expected income tax expense	\$ 758	\$ (2,699)
Reduction of future income tax balances due to substantively enacted income tax rate changes	(1,354)	(2,115)
Alternative minimum tax paid	188	–
Adjustments related to filed and amended tax returns	207	(217)
Non-deductible expenses	1,254	554
Stock-based compensation	332	409
Income tax in higher rate foreign jurisdictions	130	(426)
Non-taxable portion of capital gains	(7)	(308)
Other	29	(36)
	\$ 1,537	\$ (4,838)

The income tax effect of temporary differences that give rise to significant portions of the future income tax assets and liabilities are presented below:

	2008	2007
Future income tax liabilities		
Property and equipment	\$ 15,397	\$ 13,186
Operations of a partnership with a different tax year	1,730	1,175
Future income tax assets		
Non-capital losses	(1,799)	(298)
Deferred expenditures	(9,765)	(5,788)
Share issue costs	(677)	(1,119)
Intangible asset	–	(183)
	\$ 4,886	\$ 6,973

The Corporation has non-capital losses that can be used to reduce future taxable income in Canada of \$8,795 (2007 – \$9,199) and non-capital losses that can be used to reduce future taxable income in the United States of \$nil (2007 – \$1,879). These losses expire as follow:

	Canada
2025	\$ 3,117
2026	5,148
2027	530
2028	–
Total	8,795

10. Note receivable

During 2006, the Corporation advanced \$6,000 USD on a secured, non-interest bearing basis to a US sand supplier ("the borrower") pursuant to the terms of a Fracturing Sand Agreement. During 2007, the borrower defaulted on two provisions of the sand supply agreement. These defaults and other factors indicated a deterioration in the credit quality of the borrower and, as a result, the Corporation recorded an allowance for loan impairment of \$4,247, reducing the carrying amount of the note receivable to \$1,066.

During 2007, the Corporation entered into a revised Fracturing Sand Agreement and received payment of \$4,937 USD in satisfaction of the loan owing by the borrower to the Corporation and as reimbursement of certain expenses incurred by the Corporation. As a result of this payment, the Corporation reduced the allowance for loan impairment by \$3,511 and the carrying amount of the note receivable was reduced to nil.

11. Share capital**a) Changes in share capital and equity**

The Corporation has an unlimited number of common shares and an unlimited number of preferred shares.

Changes in the Corporation's equity for the year, including common shares issued and outstanding, are as follows:

(000s)	Common Shares Number	Common Shares Amount	Contributed Surplus	AOCI *	Retained Earnings	Total
Balance, December 31, 2007	15,847	\$ 106,002	\$ 2,853	\$ (4,098)	\$ 25,310	\$ 130,067
Issuance of shares upon						
exercise of stock options	58	50	–	–	–	50
Stock-based compensation	–	–	1,116	–	–	1,116
Compensation cost of						
options exercised	–	458	(458)	–	–	–
Net income	–	–	–	–	1,012	1,012
Other comprehensive income	–	–	–	8,447	–	8,447
Balance, December 31, 2008	15,905	\$ 106,510	\$ 3,511	\$ 4,349	\$ 26,322	\$ 140,692

* AOCI represents Accumulated Other Comprehensive Income

a) Escrow shares

As at December 31, 2008, the Corporation has 152,000 shares (2007 – 524,000) that were held and are being released over a period of time ranging from 180 days to three years from the date of closing of the Corporation's initial public offering. Subsequent to December 31, 2008, these shares were released from escrow.

c) Stock options

The Corporation has reserved 1,590,000 common shares as at December 31, 2008 (2007 – 1,585,000) for issuance under a stock option plan for officers, directors, employees, and service providers of the Corporation. The maximum number of shares reserved for issuance under the stock option plan or any other stock option or share purchase plan or other securities based compensation arrangements of the Corporation shall not exceed 10% of the total number of outstanding common shares.

Options to purchase common shares may be granted by the Board of Directors to directors, officers, employees, and service providers of the Corporation. The options vest one third on each of the first, second, and third anniversary dates of the grant date on a cumulative basis and have a maximum term of five to ten years.

	2008		2007	
	Number of Options (000's)	Weighted Average Exercise Price (\$)	Number of Options (000's)	Weighted Average Exercise Price (\$)
Outstanding, beginning of year	1,491	\$ 8.74	1,541	\$ 9.12
Granted	351	6.41	81	7.59
Exercised	(58)	0.86	—	—
Forfeited/cancelled	(320)	13.77	(131)	12.52
Expired	(83)	7.20	—	—
Outstanding, end of year	1,381	\$ 7.41	1,491	\$ 8.74
Exercisable, end of year	992	\$ 7.77	958	\$ 7.88

The following table summarizes stock options outstanding at December 31, 2008:

	Options Outstanding			Options Exercisable	
	Number outstanding (000's)	Weighted average remaining life (years)	Weighted average exercise price (\$)	Number exercisable (000's)	Weighted average exercise price (\$)
<i>Range of exercise prices</i>					
\$2.00 to \$4.00	62	4.7	\$ 2.93	—	\$ —
\$4.00 to \$6.00	370	5.6	5.81	273	5.95
\$6.00 to \$8.00	516	5.4	7.90	417	8.00
\$8.00 to \$10.00	423	5.9	8.77	292	9.00
\$10.00 to \$12.00	10	6.9	12.00	10	12.00
\$2.00 to \$12.00	1,381	5.6	\$ 7.41	992	\$ 7.77

On December 31, 2007, the Corporation re-priced 552,000 options to \$8.00. An additional expense was recorded in the amount of \$82. The option re-price was approved by the Board of Directors. During 2008, 165,000 stock options were cancelled and 135,000 new options were re-issued at \$8.25. An additional expense was recorded in the amount of \$446 for this transaction.

The Corporation calculates the fair value of its options using the Black-Scholes option pricing model. The following table outlines the assumptions and resulting fair value and stock based compensation amounts:

	2008	2007
Assumptions used to determine fair value of an option on the grant date:		
Risk free interest rate	2.94%	4.14%
Expected life	5 years	5 years
Maximum life	5 to 10 years	5 to 10 years
Vesting period	3 years	3 years
Expected dividend	nil	nil
Expected share price volatility	64.87%	40.75%
Pre-vesting employee exit rate	13.30%	7.38%
Resulting fair value and compensation amounts:		
Average fair value of options granted	\$ 6.41	\$ 2.99
Total compensation cost over the life of the options granted during the year	\$ 776	\$ 217
Compensation expense recorded for the year for all options issued and outstanding over the life of the plan	\$ 1,116	\$ 1,268

12. Earnings (loss) per share

Earnings (loss) per common share is calculated using the weighted average number of common shares outstanding during the period.

(000's)	2008	2007
Weighted average number of common shares	15,896	15,847
Diluted weighted average number of common shares	15,904	15,847

For the year ended December 31, 2008, 1,373,000 (2007 – 901,000) options were excluded from the calculation of diluted weighted average number of shares, as the effect was anti-dilutive. No adjustments were required to reported earnings in computing diluted per share amounts.

13. Commitments and contingencies

a) Commitments:

In addition to the repayments under the existing debt facilities, the Corporation is committed to payments under its Sand Supply Agreement and various operating leases for office space, shop facilities, office equipment, computers and automobiles. Annual minimum payments required subsequent to 2008 are as follows:

2009	\$ 17,287
2010	13,006
2011	12,210
2012	10,814
2013 and thereafter	11,001
	\$ 64,318

(b) Contingencies:

The Corporation, through the performance of its services, is sometimes named as a defendant in litigation. The nature of these claims is usually related to personal injury or completed operations. The Corporation maintains a level of insurance coverage deemed appropriate by management and for matters for which insurance coverage can be maintained. The Corporation has no outstanding claims which would have a material adverse effect on the Corporation as a whole.

14. Segmented information

The Corporation's operations are divided into three separate reporting segments, Canadian Completions Services ("CCS"), US Completions Services ("USCS") and Drilling Services which operate in two geographic areas. The CCS segment conducts operations in the Western Canadian Sedimentary Basin ("WCSB") and provides production testing and wireline services which are performed on new and producing oil and gas wells to exploration and production companies.

The US Completion Services segment conducts operations in the Rocky Mountain region of the United States and provides production testing, wireline and fracturing services which are performed on new and producing oil and gas wells to exploration and production companies.

The Drilling Services segment conducts operations in the WCSB and provides contract drilling services and equipment rentals to oil and gas exploration and production companies.

The segmented amounts for the years ended and for assets at December 31 are as follows:

2008

	<i>Canadian Completion Services</i>	<i>US Completion Services</i>	<i>Drilling Services</i>	<i>Corporate</i>	<i>Total</i>
Revenue	\$ 55,306	\$ 98,805	\$ 38,395	\$ –	\$ 192,506
Income (loss) before income taxes	(1,821)	8,606	5,261	(9,497)	2,549
Depreciation and amortization	5,325	7,565	1,791	1,047	15,728
Capital expenditures	4,425	17,309	4,417	1,281	27,432
Intangibles and goodwill	–	1,405	266	–	1,671
Total assets	52,086	114,395	59,750	2,984	229,215

2007

	<i>Canadian Completion Services</i>	<i>US Completion Services</i>	<i>Drilling Services</i>	<i>Corporate</i>	<i>Total</i>
Revenue	\$ 61,102	\$ 40,077	\$ 23,907	\$ –	\$ 125,086
Income (loss) before income taxes	(973)	(1,441)	3,703	(9,656)	(8,367)
Depreciation and amortization	5,935	4,559	1,426	661	12,581
Capital expenditures	12,374	13,710	8,642	1,114	35,840
Intangibles and goodwill	–	1,556	759	–	2,315
Total assets	72,696	68,798	49,717	2,043	193,254

The Corporation operates in the following geographic locations:

	Canada		United States		Total	
	2008	2007	2008	2007	2008	2007
Revenue	\$ 93,227	\$ 85,008	\$ 99,279	\$ 40,078	\$192,506	\$ 125,086
Income (loss) before income taxes	2,787	(6,926)	(238)	(1,441)	2,549	(8,367)
Property and equipment	144,847	93,493	34,155	68,798	179,002	162,291
Intangibles and goodwill	266	759	1,405	1,556	1,671	2,315

15. Supplemental cash flow information

	2008	2007
Interest paid	\$ 2,041	\$ 2,450
Income taxes paid	864	–
Components of change in non-cash working capital balances:		
Accounts receivable	\$ (12,584)	\$ 8,298
Inventory	(1,477)	(1,732)
Income taxes recoverable	–	903
Prepaid expenses and deposits	(140)	(446)
Accounts payable and accrued liabilities	1,115	959
Income taxes payable	1,334	–
	\$ (11,752)	\$ 7,982
Change in non-cash working capital on investing activities	676	(3,562)
Change in non-cash working capital on operating activities	\$ (12,428)	\$ 11,544

16. Capital disclosures

The Corporation's capital structure is comprised of Shareholders' Equity plus Long-Term Debt. The Corporation's objective when managing its capital structure is to preserve the financial flexibility to maintain investor, creditor and market confidence and to sustain future growth and development of the Corporation.

The Corporation's capital management policies are aimed at:

- ┐ maintaining sufficient undrawn committed credit capacity to provide liquidity;
- ┐ maintaining an appropriate balance between short-term debt, long-term debt and equity;
- ┐ ensuring ample covenant room to draw on the credit lines as required; and
- ┐ maintaining a level of leverage with sufficient room for increases when necessary.

The Corporation monitors its capital structure and short-term financing requirements using non-GAAP financial metrics consisting of Net Debt to Capitalization and Net Debt to Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA"). The metrics are used to steward the Corporation's overall debt position as measures of the Corporation's overall financial strength.

The Corporation operates in a cyclical industry and as a result has experienced significant fluctuations in historical financial results during past cycles. The industry cyclicity and fluctuations in financial results are expected to continue in the future.

Management is focused on the future growth of the Corporation. Management expects to experience short-term breaches in the Corporation's capital management financial targets due to its growth focus and industry cyclicality. Management is able to tolerate these short-term breaches as long as its expectation of future financial performance is sufficient to reduce the breaches in its capital management financial targets below its stated targets in the near future.

The Corporation aims to maintain a Net Debt to Capitalization ratio of less than 40% that is calculated as follows:

	2008	2007
Long-term debt, excluding current portion	\$ 57,405	\$ 40,500
Less: Working capital	22,310	12,934
Net debt	35,095	27,566
Total shareholders' equity	140,692	130,067
Total capitalization	\$ 175,787	\$ 157,633
Net debt to capitalization ratio	20%	17%

The Corporation monitors Net Debt to EBITDA on a trailing and forward basis. The Corporation typically targets Net Debt to EBITDA of less than 2.5 times. As at December 31, 2008, Net Debt to EBITDA was 1.7 times compared to 4.1 times at December 31, 2007 calculated on a trailing twelve-month basis as follows:

	2008	2007
Net debt	\$ 35,095	\$ 27,566
Net income (loss)	1,012	(3,529)
Add (deduct):		
Depreciation and amortization	15,728	12,581
Interest on long-term debt	2,304	1,913
Other interest	326	534
Income tax expense (reduction)	1,537	(4,838)
EBITDA	\$ 20,907	\$ 6,661
Net debt to EBITDA	1.7 times	4.1 times

The Corporation's capital management objectives, evaluation measures, definitions and targets have remained unchanged over the periods presented. The Corporation is subject to certain financial covenants in its credit facility agreement and is in compliance with all financial covenants as at December 31, 2008.

17. Financial Instruments and Risk Management

Financial risk management

This note presents information about the Corporation's exposure to the following financial risks, and the Corporation's objectives, policies and processes for measuring and managing risk:

- Credit risk
- Liquidity risk
- Market risk

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Corporation's activities.

Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from customers.

The Corporation's exposure to credit risk in trade receivables is influenced mainly by the individual characteristics of each customer. A substantial portion of the accounts receivable are with customers who are dependent upon the oil and gas industry, and are subject to normal industry credit risks. The Corporation does not typically obtain collateral from its customers; however, the Corporation does have the ability to place a lien on a customer's well in the event of non-payment.

The Corporation has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Corporation's standard payment and delivery terms and conditions are offered. The Corporation's review includes review of trade references, financial statement review, review of payment history (credit check), debt analysis (bank references) and input from management. Extending credit to existing customers will continue as long as existing customers have an acceptable payment history. Customers that fail to meet the Corporation's benchmark creditworthiness may transact with the Corporation only on a prepayment basis.

The Corporation has significant exposure to one major customer in both its Canadian and United States ("US") operations. The customer is a large public Canadian oil and natural gas exploration company. For the year ended December 31, 2008, 36% or \$68.9 million (2007 – 26% or \$32.4 million) of the Corporation's total revenue was derived from this customer. As at December 31, 2008, \$5.5 million (2007 – \$3.4 million) of the Corporation's accounts receivable balance included amounts outstanding from this customer.

The carrying amount of accounts receivable represents the maximum credit exposure. The Corporation establishes an allowance for doubtful accounts that represents an estimate of incurred losses in respect of trade and other receivables. Customers with balances over 60 days are reviewed by management on a weekly basis, and if necessary, an allowance may be set up, or alternatively, the Corporation may place a lien on the customer's well.

During 2008, the Corporation increased its allowance for doubtful accounts receivable by \$202 and wrote off customers' accounts deemed uncollectible in the amount of \$590. There were no liens placed on any wells of the Corporation's customers.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

In managing liquidity risk, the Corporation prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Corporation utilizes authorizations for capital expenditures to further manage its capital expenditure program.

As at December 31, 2008, the Corporation had available unused committed bank credit facilities in the amount of \$23,011 plus cash and accounts receivable in the amounts of \$4,201 and \$37,303, respectively, for a total of \$64,515 available to fund the cash outflows relating to its financial liabilities. The Corporation believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other price risks, consisting primarily of fluctuations in commodity prices, will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

CURRENCY RISK

As the Corporation operates primarily in Canada and the US, fluctuations in the exchange rate between the US/Canadian dollar can have a significant effect on the fair value or future cash flows of the Corporation's financial assets and liabilities.

The Canadian operations are exposed to currency risk on foreign currency denominated financial assets and liabilities with adjustments recognized as foreign exchange gains and/or losses in the consolidated statement of operations.

The US operations with a domestic functional currency expose the Corporation to currency risk on the translation of the US operations' financial assets and liabilities to Canadian dollars for consolidation. Adjustments arising when translating the US operations into Canadian dollars are reflected in the consolidated statements of other comprehensive income as unrealized gains or losses on translating financial statements of self-sustaining foreign operations.

For the year ended December 31, 2008, a fluctuation of one percent in the value of the US dollar would have amounted to an increase or decrease in net income and other comprehensive income of \$11 and \$101 respectively.

Management does not use any derivative instruments to hedge this risk. The Corporation had no forward exchange rate contracts in place as at or during the years ended December 31, 2008 or 2007.

INTEREST RATE RISK

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation manages its exposure to interest rate risk through a combination of fixed and variable rate borrowing facilities that are available if required. An increase or decrease in interest expense for each one percent change in interest rates on the average balances of variable rate debt would have amounted to \$530 and \$273 during the years ended December 31, 2008 and 2007, respectively. As at December 31, 2008, all borrowings, except the capital lease of \$237 were at variable rates.

The Corporation had no interest rate swap or financial contracts in place as at or during the years ended December 31, 2008 or 2007.

COMMODITY PRICE RISK

The Corporation is not directly exposed to commodity price risk as it does not have any contracts that are directly based on commodity prices. A change in commodity prices, specifically petroleum and natural gas prices, could have an impact on oil and gas production levels and could therefore affect the demand for drilling and services to oil and gas customers. However, given that this is an indirect influence, the financial impact for the Corporation of changing petroleum and natural gas prices cannot be quantified.

b) Fair value of financial instruments

The Corporation's financial instruments as at December 31, 2008 and 2007 include cash, accounts receivable, accounts payable and accrued liabilities, and bank debt. The fair value of cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity.

Bank debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value.

PureEnergy Services Ltd. — Going the Distance

2008 MD & A and Consolidated Financial Statements

For the year ended December 31, 2008 — dated March 18, 2009

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") of the consolidated financial condition and results of operations of Pure Energy Services Ltd. (the "Corporation" or "Pure") for the year ended December 31, 2008, has been prepared with information available up to and as at March 18, 2009. This MD&A should be read in conjunction with the Corporation's audited consolidated financial statements and notes for the year ended December 31, 2008. Additional information relating to the Corporation, including the Corporation's Annual Information Form, is available on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. Unless otherwise indicated, references in this MD&A to "\$" or "Dollars" are to Canadian dollars.

Readers are cautioned that this MD&A contains certain forward-looking information. Please see "Forward-Looking Information" for a discussion concerning the use of such information in this MD&A.

Selected Consolidated Financial Information

(\$ thousands except per share amounts)	2008	2007	2006
Revenue	\$ 192,506	\$ 125,086	\$ 135,355
Gross margin	\$ 42,886	\$ 27,967	\$ 44,219
Gross margin %	22%	22%	33%
General and administrative expenses	\$ 21,558	\$ 21,549	\$ 17,100
EBITDA ⁽¹⁾	\$ 20,907	\$ 6,661	\$ 27,695
EBITDAS ⁽¹⁾	\$ 22,023	\$ 7,929	\$ 28,866
Net income (loss)	\$ 1,012	\$ (3,529)	\$ 13,046
Income (loss) per share:			
Basic	\$ 0.06	\$ (0.22)	\$ 0.84
Diluted	\$ 0.06	\$ (0.22)	\$ 0.81
Funds flow from operations ⁽²⁾	\$ 17,286	\$ 4,322	\$ 28,084
Total assets	\$ 229,215	\$ 193,254	\$ 192,606
Total long-term debt	\$ 65,314	\$ 40,833	\$ 13,667

1 EBITDA and EBITDAS do not have standardized meanings prescribed by Canadian generally accepted accounting principles ("GAAP"). Management believes that, in addition to net income, EBITDA and EBITDAS are useful supplemental measures. EBITDA and EBITDAS are provided as measures of operating performance without reference to financing decisions, amortization or income tax impacts, which are not controlled at the operating management level. EBITDAS also excludes stock based compensation expense as it is also not controlled at the operating management level. Investors should be cautioned that EBITDA and EBITDAS should not be construed as alternatives to net income determined in accordance with GAAP as an indicator of the Corporation's performance. The Corporation's method of calculating EBITDA and EBITDAS may differ from that of other corporations and accordingly may not be comparable to measures used by other corporations. The Corporation calculates EBITDA and EBITDAS as follows:

Year ended December 31, (\$ thousands)	2008	2007	2006
Net income (loss) before income tax	\$ 2,549	\$ (8,367)	\$ 18,350
Add: Depreciation expense	15,728	12,581	8,449
Interest expense	2,630	2,447	896
EBITDA	\$ 20,907	\$ 6,661	\$ 27,695
Add: Stock based compensation expense	1,116	1,268	1,171
EBITDAS	\$ 22,023	\$ 7,929	\$ 28,866

2 Funds flow from operations is defined as cash from operating activities before changes in non-cash working capital, as presented on the Corporation's statement of cash flows. Funds flow from operations is a measure that provides investors with additional information regarding the Corporation's liquidity and its ability to generate funds to finance its operations. Funds from operations does not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other corporations.

Business Overview

The Corporation is an oilfield services company which currently conducts operations in the Western Canadian Sedimentary Basin ("WCSB") and in the United States ("US") in Colorado, North Dakota and Wyoming through its wholly-owned subsidiaries, Pure Energy Services (USA) Inc. ("Pure USA"), Ross Wireline Services (2005) Ltd., Motorworks Drilling Solutions Inc. and its partnership, Pure Energy Services Partnership (the "Partnership"). References to "Pure" or the "Corporation" in this MD&A refer to the Corporation, its subsidiaries and the Partnership.

The Corporation's operations are divided into three separate reporting segments, Canadian Completions Services ("CCS"), US Completions Services ("USCS") and Drilling Services. The CCS segment conducts operations in the WCSB providing production testing and wireline services. The USCS segment conducts operations in Colorado, North Dakota and Wyoming providing production testing, wireline and well fracturing services. The Drilling Services segment operates ten drilling rigs in the WCSB through its Quintera drilling rig division and provides directional drilling and motor rental services through its Motorworks division.

2008 Highlights

The 2008 fiscal year was a year of contrasts for the oil and gas services industry in general. Record industry activity levels in the US were contrasted by declining activity levels in the WCSB. What started off as a year of optimism with increasing activity levels and strong commodity prices ended with a great amount of uncertainty amidst the challenges of a global recession and declining commodity prices.

Similar to the industry, Pure experienced a year of contrasts within its own operations and in comparison to the industry. The following is a brief overview of a number of key highlights for 2008:

- ┐ Generated record revenue through a 54% increase in consolidated revenue to \$192.5 million from the \$125.1 million generated in 2007. The majority of this improved performance came in the final two quarters of 2008 which experienced consecutive record revenue results in stark contrast to declining industry activity levels;
- ┐ Commenced full operation of the Corporation's well fracturing division;
- ┐ Expanded Pure's US operations in Wyoming and North Dakota;
- ┐ Improved utilization of the Corporation's drilling rigs by 54% to 43% from 28% in the prior year. This compares favourably to the 11% increase in utilization experienced by the industry year over year (source: CAODC); and
- ┐ Low industry activity levels in the WCSB negatively impacted the Corporation's CCS segment, however, the Corporation was able to partially mitigate the impact of these lower activity levels by relocating eight production testing and two wireline units into its expanding US markets.

The strength of Pure's diversified operations, both geographically and through its service offerings, provided Pure with the opportunity to make these achievements in 2008 and help mitigate the impact of the challenging industry environment.

The increase in revenue year over year was largely due to the increased utilization of Pure's fracturing assets in the US which saw a 563% increase in fracturing revenue to \$50.0 million during 2008 versus \$7.5 million in 2007. This significant increase in fracturing revenue combined with the growth of wireline and production testing operations in the US resulted in the US revenue increasing to 51% of Pure's consolidated revenue from 32% in the prior year.

This increase in contribution from Pure's US operations combined with a 61% increase in the Corporation's Drilling segment revenue more than offset a 9% decline in revenue experienced in the CCS segment. The lower revenue result in the CCS segment was due to continued softening in industry activity levels in the WCSB. The transfer of equipment to the Corporation's busier US operations and the expansion of services into deeper natural gas plays in north eastern British Columbia and Alberta helped to mitigate the impact of the lower industry activity.

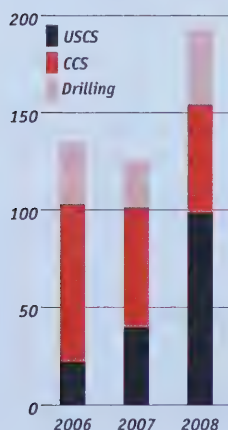
Consistent with the 54% increase in revenue year over year, gross margin increased 53% to \$42.9 million from the \$28.0 million generated in 2007. Gross margin as a percentage of revenue was consistent year over year at 22%. Increased activity and improved financial performance from the Corporation's US operations offset gross margin declines in the CCS segment which was negatively impacted by lower industry activity levels and competitive pricing pressures.

The increase in gross margin had a positive impact on EBITDA which increased 214% to \$20.9 million from \$6.7 million in 2007. EBITDA also benefited from general and administrative expenses remaining consistent year over year in spite of the 54% increase in revenue. The Corporation was able to hold general and administrative costs consistent year over year due to the majority of the Corporation's general and administrative infrastructure being put in place during 2007 in anticipation of the increased activity levels experienced in 2008. Cost cutting initiatives implemented during 2007 also helped to mitigate general and administrative cost increases during 2008.

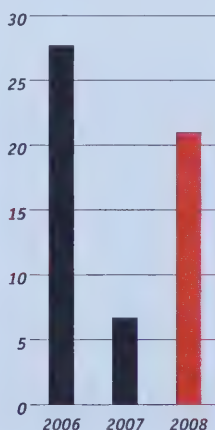
This improved EBITDA result year over year was achieved in spite of the 2007 results benefiting from a \$2.1 million gain on sale of assets from the sale of the Corporation's original drilling rig. This gain was partially offset by a \$1.2 million impairment of goodwill and a \$0.7 million impairment of a note receivable recognized in 2007. In comparison, the Corporation only recognized \$0.1 million in gains on sale of assets during 2008 which was offset by a \$0.4 million impairment of intangible assets.

The improved operating performance during the year allowed Pure to generate \$1.0 million in net income, \$0.06 per share, during the year versus a loss of \$3.5 million, (\$0.22) per share, during 2007.

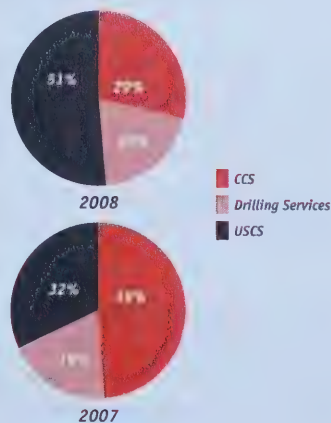
REVENUE
\$ millions



EBITDA
\$ millions



SOURCES OF REVENUE
percent



*Results of Operations***US Completion Services**

<i>Year ended December 31 (\$ thousands)</i>	2008	2007	Variance	Change
Revenue	\$ 98,805	\$ 40,077	\$ 58,728	147%
Operating expenses	77,009	32,822	44,187	135%
Gross margin	\$ 21,796	\$ 7,255	\$ 14,541	200%
Gross margin %	22%	18%	4%	22%
Average units available during the period:				
Production testing	31.2	23.0	8.2	36%
Wireline	3.6	2.1	1.5	71%
Fracturing spreads	3.0	1.8	1.2	67%
Total	37.8	26.9	10.9	41%
Number of jobs completed:				
Production testing	7,866	6,013	1,853	31%
Wireline	1,195	440	755	172%
Fracturing	1,335	183	1,152	630%
Total	10,396	6,636	3,760	57%

2008 was a year of significant growth for Pure's USCS segment which saw revenue increase by 147% to \$98.8 million from the \$40.1 million generated in 2007. A number of key factors contributed to the increase in revenue during 2008:

- └ The segment's well fracturing division began full operation in 2008 which resulted in the number of jobs increasing by 630% in 2008 versus 2007. All three fracturing spreads were fully operational by the fourth quarter of 2008. In contrast, lack of fracturing sand availability from the Corporation's sand supplier hindered well fracturing operations throughout 2007. These sand supply constraints were largely overcome in the second quarter of 2008 with the completion of commissioning on the sand supply mine by the Corporation's sand supplier;
- └ Strong operational performance resulted in the well fracturing division being awarded a number of contracts for fracturing services during 2008;
- └ Customer demand allowed the Corporation to transfer eight well testing and two wireline units from the Corporation's Canadian operations to the US during 2008. An additional wireline unit was transferred subsequent to year end;
- └ During the first quarter of 2008, the Corporation expanded its USCS production testing operations into North Dakota through the establishment of a new Minot, North Dakota, operating base. A total of 11 production testing units now operate out of this base providing production testing services primarily in the Bakken oil resource play in North Dakota; and
- └ The USCS division also expanded its wireline field operations into Wyoming during the second quarter of 2008. A total of ten production testing and three wireline units now operate out of this base.

While all of the above factors contributed to the increase in revenue and activity for the USCS segment during the year, the commencement of full operations for the segment's well fracturing division had the single largest impact on the segment's improved performance. Well fracturing accounted for 51% of the segment's total revenue during the year, with approximately 70% of this

division's revenue being generated in the second half of 2008. The significant increase in revenue for this division during the second half of 2008 was due to the increased availability of fracturing sand as well as the commencement of operations for the division's third fracturing spread at the beginning of the fourth quarter.

The USCS has also benefited from its bundling of services marketing strategy whereby Pure often provides wireline, well fracturing and flow-back services on the same job. This approach allows Pure to provide a cost effective and efficient well completions solution to its customers.

The increase in activity and services provided by the segment's wireline division resulted in a 17% average pricing increase for the segment's wireline services year over year. Average pricing for the segment's production testing division was essentially consistent year over year. Pricing for the segment's well fracturing services decreased by 9% year over year. This decrease was a result of the commencement of activity under the division's contracted services with its key customers. The impact on revenue from these lower average revenue rates for the segment's well fracturing division were more than offset by the significant increase in activity during 2008.

The increase in revenue allowed gross margin for the USCS segment to increase 200% to \$21.8 million from the \$7.3 million generated in 2007. As a result of improved operating efficiencies associated with the increased field activity for all of the segment's divisions, combined with the reduction of unusually high operating costs associated with the ramp up of the segment's well fracturing operations in 2007, gross margin as a percentage of revenue increased to 22% during 2008 versus 18% in 2007.

As discussed above, the segment's well fracturing operations were hindered during 2007 and the first half of 2008 due to delays in receiving sand from the Corporation's primary sand supplier. As a result, the division was required to incur unusually high costs to procure sand from alternative suppliers and the delay in ramp up of the division's operations caused the division to carry proportionately high overhead costs in comparison to the abnormally low field activity levels.

The impact of these unusually high costs on the fracturing division resulted in the division incurring negative gross margin results during 2007 and the first quarter of 2008. Financial results for the division began to improve coinciding with the commencement of deliveries of sand during the second quarter of 2008 and the division was able to generate sufficient positive gross margin in the second and third quarters of 2008 to offset all of the gross margin losses incurred in the previous five quarters.

The segment's expansion of its wireline and production testing operations during the year also had a positive impact on gross margins. In particular, the wireline division generated a 13 fold increase in gross margin year over year. This positive result was due to the benefits of economies of scale from the 71% increase in average operating units for the division and its expansion into additional territories of operation during the year. This expansion of operating units and operational territory resulted in a 172% increase in the number of jobs completed for the wireline division year over year. While modest in comparison to the increases experienced in the well fracturing and wireline divisions, the production testing division enjoyed a 31% increase in job count which was a direct result of the 36% increase in average production testing units operated in the division year over year.

Canadian Completion Services

<i>Year ended December 31 (\$ thousands)</i>	2008	2007	Variance	Change
Revenue	\$ 55,306	\$ 61,102	\$ (5,796)	(9%)
Operating expenses	44,041	46,834	(2,793)	(6%)
Gross margin	\$ 11,265	\$ 14,268	\$ (3,003)	(21%)
Gross margin %	20%	23%	(3%)	(13%)
Average units available during the period:				
Production testing	36.2	44.7	(8.5)	(19%)
Wireline	36.4	37.0	(0.6)	(2%)
Total	72.6	81.7	(9.1)	(11%)
Number of jobs completed:				
Production testing	5,957	6,253	(296)	(5%)
Wireline	5,230	6,073	(843)	(14%)
Total	11,187	12,326	(1,139)	(9%)

As a result of a 9% decline in jobs completed during 2008, revenue for the CCS segment declined by 9% to \$55.3 million from \$61.1 million in 2007. The decline in activity levels in the segment is consistent with the overall 9% decline in the number of wells drilled in the WCSB during 2008 (source: Daily Oil Bulletin) and an 11% decline in average operating units in the CCS segment. Activity levels in the CCS segment have also been negatively impacted by further declines in shallow natural gas exploration activity which has traditionally been a key area of activity for the CCS segment's operations.

As a result of the decline in shallow natural gas activity levels, the Corporation undertook a number of initiatives in 2008 to help mitigate the segment's exposure to shallow natural gas activities in the WCSB. These initiatives include the following:

- ❑ Transferred eight low pressure production testing units and two wireline units to Pure's busier US operations. An additional wireline unit was transferred to the US subsequent to year end;
- ┘ Purchased three high pressure testing units during the third quarter for \$1.2 million which are being utilized in the expanding non-conventional natural gas exploration areas such as the Montney resource play in north eastern British Columbia; and
- ┘ Utilized the expertise from the Corporation's US operations personnel in the US Rockies to assist in the successful completion of multi-stage perforating operations in the technical Montney resource play during the second half of 2008.

These initiatives will help balance the segment's operating activities throughout the WCSB and should help mitigate the impact of lower activity levels currently being experienced in conventional and shallow natural gas exploration and development areas in the WCSB.

While activity levels for the CCS segment and the industry were lower during the year, the CCS segment was able to maintain average job pricing year over year. On an individual division basis, pricing in the segment's wireline division was consistent year over year. Competitive pricing pressures caused price declines in some services provided in the wireline division, however, an increase in more complex, higher priced work in northern British Columbia and Alberta helped to mitigate lower pricing in other service areas. This increase in northern British Columbia and Alberta work also benefited the segment's production testing division which experienced a 4% increase in average pricing year over year.

While activity levels and the resulting revenue generated in the segment have declined year over year, a similar decline in operating costs did not occur during the year. Reasonably strong activity in the first quarter of the year was followed by the traditionally slow spring breakup period in April and May which was then followed by increasing commodity prices and a temporary increase in activity. These unpredictable activity levels during 2008 resulted in the CCS segment carrying excess field staff and higher support costs in anticipation of continued higher activity levels.

This higher cost structure combined with an overall decline in activity levels during 2008 resulted in fixed operating costs as a proportion of total operating costs increasing during the year. The carrying of higher fixed operating costs relative to actual activity during 2008 caused gross margin as a percentage of revenue to decline to 20% during the year from the 23% generated in 2007. Gross margin as a percentage of revenue was also impacted by an increase in rental equipment and other start-up items related to the segment's transition into deeper production areas in northern British Columbia and Alberta, combined with inflationary increases in regular operating expense items such as fuel and maintenance costs.

As a result of the lower revenue and gross margin as a percentage of revenue, gross margin for the CCS segment declined to \$11.3 million from the \$14.3 million generated in the prior year. In response to the lower operating results for the CCS segment, management has initiated a number of cost cutting measures which are aimed at reducing the segment's fixed operating costs and overhead structure to reflect the current lower activity levels being experienced by the industry and the CCS segment.

Drilling Services

<i>Year ended December 31 (\$ thousands)</i>	2008	2007	Variance	Change
Revenue	\$ 38,395	\$ 23,907	\$ 14,488	61%
Operating expenses	28,570	17,463	11,107	64%
Gross margin	\$ 9,825	\$ 6,444	\$ 3,381	52%
Gross margin %	26%	27%	(1%)	(4%)
Average units available during the period:				
Drilling rigs	10.0	9.5	0.5	5%
Mud motors	58.3	59.2	(0.9)	(2%)
Utilization ⁽¹⁾ :				
Drilling rigs	43%	28%	15%	54%

1 Utilization % for the Corporation's drilling rigs is defined as the number of spud to rig release days for the period divided by the number of available rig days for the period.

Revenue for Pure's Drilling Services segment increased by 61% during the year to \$38.4 million from the \$23.9 million generated in 2007. This significant improvement is due primarily to a 54% increase in utilization for the Corporation's drilling rigs and a 69% increase in revenue contribution from the segment's Motorworks mud motor and directional drilling operations.

The 54% increase in utilization for Pure's drilling rigs compares favourably to the 11% increase in industry activity levels in the WCSB over the same period (source: CAODC). The improved utilization for the Corporation's drilling rigs is due to marketing efforts to contract Pure's drilling rigs with new customers that were more active in 2008 than Pure's previous customers in 2007.

Partially offsetting the positive contribution from increased activity for the Corporation's drilling rigs was a 2% decline in average day pricing for the segment's drilling rigs to \$17,017 per day versus \$17,316 per day in 2007. The higher result achieved in 2007 was due primarily to strong pricing in the first quarter of 2007, as pricing for the remaining three quarters has been higher in 2008 than the comparative quarters in 2007. This higher average pricing for the remaining three quarters was largely due to higher pass-through items such as fuel, equipment rentals and trucking. These items are passed through to the customer at cost or a small mark-up which, while increasing revenue, has little impact on gross margin for the division. If the impact of these pass-through items is excluded, average day rate pricing declined approximately 10% year over year.

The significant increase in revenue contribution from the segment's Motorworks division was due to an increase in directional drilling services provided by the division. Directional drilling services accounted for 68% of the division's revenue in 2008 versus only 42% in the prior year. While overall utilization of the division's mud motors decreased year over year, higher job pricing due to the increased amount of services provided with directional drilling versus the division's prior mud motor rental focus, allowed revenues to increase year over year.

As a result of the increased revenue for the Drilling Services segment, gross margin increased by 52% to \$9.8 million from \$6.4 million in the prior year. Combined gross margin as a percentage of revenue for the segment was 26% in 2008 versus 27% in 2007. The slight decline in gross margin as a percentage of revenue was due to average base pricing declines in the segment's drilling rig division and the incurrence of higher field operating costs associated with the segment's directional drilling and mud motor division. These items were partially offset by lower average fixed operating costs as a percentage of total operating costs for the segment's drilling rig division due to improved equipment utilization year over year. The higher equipment utilization provides for greater economies of scale resulting in fixed operating costs being spread over a larger revenue base. In addition, due to the lower activity levels experienced in 2007, additional overhead and operating costs were incurred in 2007 due to efforts by the drilling rig division to retain field staff during the slower activity periods. These improved operating efficiencies offset margin pressures caused by the average pricing declines discussed above as well as a 10% field labor increase implemented in the fourth quarter of 2008.

Operating costs for the segment's directional drilling and motor rental division have increased year over year in conjunction with the increase in directional drilling operations. Directional drilling requires additional field personnel and office support services. In addition, the division currently does not own any Measurement While Drilling ("MWD") tools which are used for directional drilling services. As a result the division must rent this equipment from third party suppliers.

General and Administrative Expenses

General and administrative expenses were consistent year over year at \$21.6 million. Included in general and administrative expenses in 2008 was \$0.5 million of additional stock-based compensation expense that was incurred as a result of the cancellation of a number of outstanding options during the year. In addition, the Corporation incurred \$0.7 million in final settlement costs for an outstanding employment litigation with a group of former employees. This amount was in addition to \$0.5 million previously accrued in 2007 as a contingent liability for this matter. Subsequent to year end, US \$0.6 million was recovered from the Corporation's former legal counsel in a malpractice claim initiated by the Corporation related to legal advice provided on this matter.

While the total dollar amount for general and administrative costs is consistent year over year, general and administrative costs decreased to 11% of revenue in 2008 versus 17% of revenue in the prior year. The decrease in general and administrative costs as a percentage of revenue is primarily due to the Corporation's USCS segment's general and administrative structure being largely in place during 2007 prior to the ramp-up of operating activities in 2008. In addition, over the last two years the Corporation has undertaken a number of steps to improve operating and administrative efficiencies. These efficiencies allowed the Corporation to increase its revenue 54% year over year with no increase in total general and administrative costs.

Depreciation and Amortization Expense

Depreciation and amortization expense increased to \$15.7 million in 2008 from the \$12.6 million incurred in 2007. The increase is due to the impact of the full year of depreciation in 2008 from the \$35.8 million in capital asset additions from 2007 combined with the \$27.4 million in capital assets added throughout 2008.

A \$0.4 million impairment charge was recognized in the fourth quarter related to the Corporation's intangible assets acquired from its 2005 acquisition of Ross Wireline Services Ltd. As a result of lower financial contribution and a turnover of customers for this division, management determined that the carrying value of the division's customer list and trade name could no longer be supported and a full write-down of the carrying value for these intangible assets was recorded.

In the prior year, an impairment charge for goodwill related to the Corporation's Ross Wireline Services Ltd. and Motorworks Drilling Solutions Inc. acquisitions was recorded in the fourth quarter of 2007. The total impairment charge recorded in 2007 was \$1.2 million, which represented the full carrying value of goodwill on the Corporation's financial statements.

Interest Expense

As a result of a \$12.5 million increase in average debt levels during 2008, total interest expense increased to \$2.6 million in 2008 from \$2.4 million in 2007. Partially mitigating the impact from increased debt levels during 2008 was a lower average effective interest rate on the Corporation's debt facilities during 2008 versus 2007. The lower average effective interest rate was due to a number of prime lending rate reductions that were implemented throughout 2008 by the Corporation's lender.

Other Expenses (Income)

Other expenses are comprised of a nominal \$0.2 million foreign exchange loss which is partially offset by a \$0.1 million gain on sale of equipment. In comparison, \$2.1 million in gains from the sale of equipment were recognized in other income in 2007 which was primarily related to the sale of the Corporation's oldest drilling rig. This gain was partially offset by a \$0.7 million loss incurred from the net write-off of an outstanding note receivable advanced by the Corporation to its US fracturing sand supplier to assist in the start-up of the supplier's sand supply mine.

Income Tax Expense

Pure recorded an income tax expense of \$1.5 million during 2008, which represents a 60.3% effective income tax rate versus the 29.5% statutory rate for the Corporation's Canadian operations and a 37.5% statutory rate for the Corporation's US operations. The higher effective income tax rate relates to non-deductible expense items and adjustments from the filing of amended tax returns. These items were partially mitigated by a \$1.4 million reduction in future income tax expense related to lower future income tax rates.

2008 Fourth Quarter Discussion

<i>Three months ended December 31 (\$ thousands)</i>	<i>2008</i>	2007	Variance	Change
Revenue	\$ 60,534	\$ 31,013	\$ 29,521	95%
Gross margin	\$ 14,036	\$ 6,826	\$ 7,210	106%
Gross margin %	23%	22%	1%	5%
General and administrative expenses	\$ 5,551	\$ 5,561	\$ (10)	0%
EBITDA	\$ 8,110	\$ 3,552	\$ 4,558	128%
EBITDAS	\$ 8,151	\$ 3,904	\$ 4,247	109%
Net income	\$ 1,427	\$ 1,060	\$ 367	35%
Net income per share				
Basic	\$ 0.08	\$ 0.07	\$ 0.01	14%
Diluted	\$ 0.08	\$ 0.07	\$ 0.01	14%
Funds flow from operations	\$ 5,599	\$ (119)	\$ 5,718	4,806%

Continued strong activity in the Corporation's USCS segment allowed Pure to generate consecutive quarters of increasing record quarterly revenue. Consolidated revenue in the fourth quarter of 2008 increased by 95% to \$60.5 million from the \$31.0 million generated in the fourth quarter of 2007. The improved result relative to the fourth quarter of 2007 was due to increased revenue in all three of the Corporation's reporting segments. The largest increase was experienced in the Corporation's USCS segment which experienced a 227% increase in revenue quarter over quarter to \$35.8 million from the \$11.0 million in revenue generated in the fourth quarter of 2007. This significant increase was due primarily to the segment's well fracturing division being fully operational in the fourth quarter of 2008 versus the curtailed operations experienced in the fourth quarter of 2007.

The Corporation's Drilling Services segment also experienced a significant increase in revenue with revenue increasing by 79% to \$8.8 million during the quarter from \$4.9 million in the fourth quarter of 2007. This increase was due to improved utilization of the segment's drilling rigs. Subsequent to the fourth quarter of 2007, the segment's marketing efforts have been directed towards increasing activity with larger customers that tend to remain active throughout slower periods of industry activity. This change in customer base resulted in the improved operating performance in 2008 relative to the comparative period in 2007.

Activity for the Corporation's CCS segment experienced a nominal increase resulting in revenue increasing to \$15.9 million during the quarter from \$15.1 million in the fourth quarter of 2007. Industry activity levels, in particular shallow natural gas activity, continued to be depressed throughout 2008 which constrained activity for the Corporation's CCS segment. As a result of the lower activity levels in Canada, the Corporation transferred one production testing and one wireline unit from its Canadian operations to its US operations during the quarter. This transfer of underutilized units had no impact on activity for the CCS segment, however, it allowed the Corporation's USCS segment to increase its overall activity levels.

With the increased activity, gross margin increased to \$14.0 million during the quarter versus \$6.8 million in the fourth quarter of 2007. Gross margin as a percentage of revenue increased to 23% during the quarter from 22% in the comparative period in 2007. This nominal increase in gross margin as a percentage of revenue is due to an improvement in operating results for the Corporation's USCS and Drilling Services segments. The increase in contribution from these segments offsets margin declines in the Corporation's CCS segment.

The improved operating results led to an increase in EBITDA to \$8.1 million during the quarter from \$3.6 million in the fourth quarter of 2007. The increase in EBITDA was \$2.6 million less than the increase in gross margin experienced in the fourth quarter of 2008 versus the comparative period in 2007. The \$2.6 million variance is due to the fourth quarter of 2007 benefiting from a \$3.5 million recovery of a previously recorded impairment of a note receivable, which was partially offset by a \$1.2 million impairment of goodwill recognized in the fourth quarter of 2007.

US Completion Services

<i>Three months ended December 31 (\$ thousands)</i>	2008	2007	Variance	Change
Revenue	\$ 35,834	\$ 10,958	\$ 24,876	227%
Operating expenses	27,118	9,109	18,009	198%
Gross margin	\$ 8,716	\$ 1,849	\$ 6,867	371%
Gross margin %	24%	17%	7%	41%
Average units available during the period:				
Production testing	34.0	25.0	9.0	36%
Wireline	5.0	2.3	2.7	118%
Fracturing	3.0	2.0	1.0	50%
Total	42.0	29.3	12.7	43%
Number of jobs completed:				
Production testing	1,852	1,621	231	14%
Wireline	463	143	320	224%
Fracturing spreads	417	109	308	283%
Total	2,732	1,873	859	46%

Activity levels for Pure's USCS segment continued to be strong in the fourth quarter of 2008 resulting in revenue increasing by 227% to a record \$35.8 million during the fourth quarter of 2008 versus \$11.0 million in the comparative quarter of 2007. The majority of the improved performance quarter over quarter was due to the increased contribution from the segment's well fracturing operations which contributed \$20.1 million in revenue during the quarter versus only \$2.6 million in the fourth quarter of 2007. As a result of having sufficient well fracturing sand supply, combined with the commencement of field operations for the division's third and final fracturing spread, activity for the division increased by 283% with the completion of 417 jobs during the quarter.

Strong customer demand in the Corporation's USCS segment allowed the Corporation to transfer production testing and wireline equipment from the Corporation's Canadian operations. A total of nine production testing units and three wireline units have been transferred to the US since the beginning of the fourth quarter of 2007. These unit transfers resulted in a 224% and 14% increase in activity levels for the segment's wireline and production testing divisions, respectively. The segment's expansion of production testing and wireline services in Wyoming and North Dakota during 2008 supported the transfer of additional equipment from the Corporation's Canadian operations.

The increased activity from the strong customer demand for the segment's services combined with an expansion of services subsequent to the fourth quarter of 2007 resulted in average pricing increasing in all three divisions quarter over quarter. Pricing for the segment's wireline and production testing divisions increased approximately 22% in the quarter versus the fourth quarter of 2007 with pricing for the segment's well fracturing division increasing 11% over the comparative period.

The significant increase in activity levels for all three of the segment's divisions combined with the reduction of start-up costs and operational inefficiencies for the segment's well fracturing operations allowed the segment to increase gross margin as a percentage of revenue to 24% during the quarter from 17% in the fourth quarter of 2007. This improved operational performance resulted in a 371% increase in gross margin to \$8.7 million during the quarter from \$1.9 million in the fourth quarter of 2007.

Canadian Completion Services

Three months ended December 31 (\$ thousands)	2008	2007	Variance	Change
Revenue	\$ 15,896	\$ 15,125	\$ 771	5%
Operating expenses	12,260	10,823	1,437	13%
Gross margin	\$ 3,636	\$ 4,302	\$ (666)	(15%)
Gross margin %	23%	28%	(5%)	(18%)
Average units available during the period:				
Production testing	35.0	42.0	(7.0)	(17%)
Wireline	35.0	37.7	(2.7)	(7%)
Total	70.0	79.7	(9.7)	(12%)
Number of jobs completed:				
Production testing	1,685	1,462	223	15%
Wireline	1,418	1,618	(200)	(12%)
Total	3,103	3,080	23	1%

Revenue increased to \$15.9 million in the fourth quarter of 2008 versus \$15.1 million in the fourth quarter of 2007. This increase in revenue was a result of an approximately 5% increase in average gross pricing experienced in the quarter related to an increase in work performed in unconventional gas projects in northern British Columbia and Alberta for both the production testing and wireline divisions. This increase in average pricing is due to higher charge-out rates as a result of the more complex work performed in these unconventional resource plays. In addition, pricing is skewed higher from pass-through items such as equipment rentals used for these northern projects.

Although the average number of production testing units decreased 17% quarter over quarter, activity for the production testing division increased 15%. The increase in activity was due to more work being performed in northern locations as these projects tend to be longer in duration. The decrease in wireline activity quarter over quarter was due to lower industry activity levels in the areas in which the wireline division operates.

Gross margin as a percentage of revenue declined to 23% during the quarter versus 28% in the fourth quarter of 2007. This decline in gross margin is largely a function of an increase in revenue contribution from the segment's production testing division which generates a lower gross margin as a percentage of revenue versus the wireline division. Approximately 46% of the segment's revenue was generated from the production testing division in the quarter versus 35% in the comparative quarter in 2007. Gross margin as a percentage of revenue was also negatively impacted by competitive pricing pressures in both divisions. While average gross revenue rates increased 5% during the quarter versus the comparative period in 2007, the majority of this increase was due to increased revenue from pass-through items. These pass-through items are billed to customers at cost or a nominal mark-up, thus while increasing revenue, these items have no impact on gross margin.

Drilling Services

Three months ended December 31 (\$ thousands)	2008	2007	Variance	Change
Revenue	\$ 8,804	\$ 4,931	\$ 3,873	79%
Operating expenses	7,120	4,254	2,866	67%
Gross margin	\$ 1,684	\$ 677	\$ 1,007	149%
Gross margin %	19%	14%	5%	36%
Average units available during the period:				
Drilling rigs	10.0	9.0	1.0	11%
Mud motors	56.0	59.7	(3.7)	(6%)
Utilization ⁽¹⁾ :				
Drilling rigs	34%	22%	12%	55%

1 Utilization % for the Corporation's drilling rigs is defined as the number of spud to rig release days for the period divided by the number of rig days for the period.

Consistent with the results in the prior three quarters, the Drilling Services segment improved upon its financial results in comparison to 2007. As a result of improved utilization of the segment's drilling rigs and higher revenue contribution from directional drilling services, revenue for the Drilling Services segment increased by 79% to \$8.8 million from \$4.9 million in the fourth quarter of 2007. Activity for the division's drilling rigs was unusually slow in the fourth quarter of 2007 as the division was in the process of refocusing its marketing efforts on increasing the division's exposure to larger exploration and drilling companies who were relatively more active than the division's traditional smaller customers.

While activity for the drilling rig division increased during the quarter, the 34% rig utilization achieved in the fourth quarter was lower than the 42% achieved by the industry during the quarter (source: CAODC). Activity for the division during the quarter was hampered by unusually warm weather in northern drilling locations which prevented the division from moving its rigs onto locations to commence drilling operations. In addition, a customer project was delayed due to well licensing issues which would have utilized two drilling rigs during the quarter. Due to the unexpected delay of the project, the division was not able to re-contract these rigs with another customer on a timely basis.

Revenue also benefited from a 24% increase in average gross revenue rates to \$19,518 per operating day during the quarter from \$15,767 in the fourth quarter of 2007. This increase in gross revenue rates was due to increased revenue from pass-through items such as fuel and equipment rentals. In addition, due to weather delays which hindered equipment movement from location to location, increased standby revenue was generated during the quarter.

As a result of the increased activity, gross margin as a percentage of revenue increased to 19% in the quarter from 14% in the fourth quarter of 2007. Higher operating costs were incurred during the fourth quarter of 2007 to retain staff during the unusually slow period. The higher activity levels in 2008 provided for greater operating efficiencies.

Summary of Quarterly Results

(\$ thousands, except per share amounts)	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	60,534	53,191	32,086	46,695	31,013	31,457	16,510	46,106
Gross margin	14,036	12,437	3,807	12,606	6,826	7,946	(1,280)	14,475
Gross margin %	23%	23%	12%	27%	22%	25%	(8%)	31%
General and								
administrative expenses	5,551	5,863	4,847	5,297	5,561	5,508	5,182	5,298
EBITDA	8,110	6,521	(1,020)	7,296	3,552	4,200	(10,392)	9,301
EBITDAS	8,151	6,734	(838)	7,976	3,904	4,413	(10,054)	9,666
Net income (loss)	1,427	1,406	(3,814)	1,993	1,060	850	(9,269)	3,830
Income (loss) per share:								
Basic	0.08	0.09	(0.24)	0.13	0.07	0.05	(0.58)	0.24
Diluted	0.08	0.09	(0.24)	0.13	0.07	0.05	(0.58)	0.24
Funds flow from operations	5,599	6,905	(1,822)	6,604	(119)	4,336	(4,964)	5,069

Two distinct operating environments occurred for Pure during the last eight quarters. The Corporation's Canadian operations were focused on navigating through the challenges of lower industry activity levels, whereas the US operations were focused on expanding its operations to capitalize on robust US industry activity levels.

During 2006, the Corporation undertook a significant expansion of its US operations through the investment in three well fracturing spreads. The first of these three spreads began commercial operations in December 2006, however, delays in the start-up of the Corporation's fracturing sand supplier operations curtailed fracturing operations during the first quarter of 2007 and continued throughout 2007 and into early 2008. While the Corporation's fracturing operations were curtailed by the sand supply delays, the Corporation's US production testing and wireline operations continued to enjoy robust activity from the strong US industry activity levels.

The strong US activity levels during the first quarter of 2007 offset lower activity levels for the Corporation's CCS operations which were hindered by low industry activity levels during the quarter. The Corporation's drilling operations were also impacted by the lower industry activity levels, however, the seasonal increase in winter drilling activity allowed the drilling rig division to contribute positively to the financial performance during the quarter.

The second quarter is traditionally the slowest period for the Corporation's Canadian operation as spring break-up conditions prevent the movement of equipment for the majority of the quarter. As a result, the Corporation's financial results fell during the quarter, however, the impact of the slower Canadian operations was partially mitigated by continued strong activity levels from the US operations which are not impacted by spring break-up conditions. To capitalize on the strong US activity levels, two production testing units were transferred to the US during the quarter. The Corporation's second fracturing spread was also commissioned during the quarter, however, as discussed above, sand supply issues constrained operation of this spread during the quarter. As a result of concerns over the financial strength of the Corporation's sand supplier, the Corporation recorded a \$4.2 million impairment on a note receivable owing to the Corporation from the supplier. The note was provided to the supplier to assist in the funding of the start-up of the sand supply mine.

US activity continued to expand during the third quarter of 2007 and one production testing unit was transferred into the US during the quarter. The strong US results offset continued lower results in the Corporation's Canadian operations. During the quarter the Corporation sold its original drilling rig for proceeds of \$5.0 million which resulted in a gain on sale of \$2.1 million. These proceeds were then reinvested in the construction of a new drilling rig which was completed in the first quarter of 2008.

The continued slow down in industry activity in Canada resulted in the Corporation recording a \$1.2 million impairment of its goodwill balance during the fourth quarter of 2007. This goodwill was recorded from two acquisitions completed in 2005 and 2006. In contrast, the Corporation's US operations continued to develop with the awarding of a significant well fracturing contract and the sale of the sand supply mine to a new owner. In addition, two production testing units and one wireline unit were transferred from Canada to the US operations during the quarter.

As a result of the sale of the sand supply mine to a new owner, the Corporation was able to recover \$4.9 million from the new mine owner representing partial repayment of the note receivable previously written-off by the Corporation and the reimbursement of certain operating expenses. The transition of the mine ownership was a significant event for the Corporation as it marked the beginning of the development of a secure sand supply which the Corporation required for its well fracturing operations.

The Corporation enjoyed strong activity levels for the Corporation's drilling rigs during the first quarter of 2008. This improved performance was due to successful marketing efforts to migrate to more active customers during the quarter. Activity in the US continued to be strong resulting in the additional transfer of two production testing units from Canada to the US, which was later followed by five more units transferred in the second quarter and one more unit in the fourth quarter. An additional two wireline units were also transferred into the US during the second half of 2008.

Improving sand supply allowed activity for the well fracturing operations to begin to significantly increase during the second quarter of 2008, resulting in the first quarter of positive income contribution from the division. The contribution from the well fracturing operations continued to increase in the third and fourth quarters of 2008 resulting in the well fracturing division generating \$34.6 million in revenue during the second half of 2008 versus only \$5.0 million in the comparative period in 2007. This significant increase in well fracturing revenue combined with the continued strength of the US production testing and wireline operations offset the continued lower activity levels experienced in the Corporation's CCS segment. However, on a positive note for the Corporation's operations in Canada was the improvement in utilization of the Corporation's drilling rigs. This improvement was a direct result of the improved marketing efforts initiated in late 2007 and early 2008.

Liquidity and Capital Resources

Pure exited the year with \$4.2 million in cash and \$65.3 million outstanding on the Corporation's long-term debt facilities compared to \$2.0 million in cash and \$42.4 million outstanding on these facilities as at December 31, 2007. On a net debt basis, long-term debt less positive working capital, the Corporation's debt increased to \$35.1 million from \$27.6 million as at December 31, 2007. This nominal increase in net debt arose from the Corporation investing \$27.4 million in property and equipment expenditures during 2008. The majority of the Corporation's investment in property and equipment during the year was financed from the \$17.3 million in positive funds flow from operations generated during the year.

During 2008, Pure's board of directors approved a total capital expenditure budget of \$40.0 million, of which \$27.4 million has been incurred with \$6.0 million to carryover into the first quarter of 2009. In light of the continued slowdown in industry activity levels, the remaining unspent portion of the Corporation's 2008 capital budget has been cancelled. This unspent 2008 capital budget was focused on various growth capital initiatives which will be reconsidered for further investment once industry activity increases to a level that will support further investment in growth initiatives. For 2009, the Corporation's board of directors has approved a nominal \$2.0 million capital budget which will be used as required to maintain and supplement, where required, the Corporation's existing operating capacity and capabilities.

In addition to the capital expenditures discussed above, the Corporation has the following operating and debt commitments over the next five years:

Contractual Obligations (\$ thousands)	Payments Due by Period					After 2012
	Total	2009	2010	2011	2012	
Long-term						
debt obligations ⁽¹⁾	\$ 65,314	\$ 7,909	\$ 15,042	\$ 15,020	\$ 14,986	\$ 12,357
Purchase obligations	48,745	11,691	8,791	9,297	9,485	9,481
Operating leases	15,573	5,596	4,215	2,913	1,329	1,520
Total contractual obligations	\$129,632	\$ 25,196	\$ 28,048	\$ 27,230	\$ 25,800	\$ 23,358

(1) Long-term debt obligations represent balances outstanding under the extendible revolving loan facility and the non-revolving loan facility and the obligations in the table above assumes the revolving facility is not renewed in 2009.

Included in the Corporation's purchase obligations is a take-or-pay sand supply contract to support Pure's US well fracturing operations. For 2009, the Corporation is obligated to purchase \$11.7 million in sand on this contract. In light of the current slowdown in industry activity, management is negotiating with the Corporation's sand supplier to determine if this level of commitment can be reduced for 2009. Given the level of market uncertainty in 2009, it is unknown at this time whether this full allotment of sand will be required for 2009. The Corporation's commitment for future years is a minimum of 80,000 tons of sand per year, with a right to increase this up to 150,000 tons on an annual basis via an election at the Corporation's option each year.

At this time, Pure has \$88.0 million in available debt facilities to fund its operating requirements, of which \$65.3 million was drawn upon as at December 31, 2008. Of this \$88.0 million in facilities, \$60.0 million is an extendible revolving loan facility that is renewable annually at the option of the lender. This facility was last renewed in the second quarter of 2008 and extends until June 30, 2009. If this facility is not renewed, it converts into a four year term loan, repayable monthly. The remaining \$28.0 million in available facilities consist of \$20.0 million in a demand operating line of credit and \$8.0 million in term loans to finance the Corporation's various real estate operating facility assets.

Management believes these debt facilities combined with Pure's ability to generate positive funds flow from operations will be sufficient to finance the Corporation's current business operations and announced capital expenditure plans. The Corporation's ability to generate positive funds flow from operations will be key to allowing Pure to not only prosper during the current slowdown in industry activity but also allow Pure to be in a position to take advantage of growth opportunities that may present themselves during 2009.

As at March 18, 2009, the Corporation had 15,905,431 common shares issued and outstanding and 1,260,960 stock options issued and outstanding, of which 892,461 were vested.

Financial Instruments

Financial instruments include both primary instruments, such as receivables, payables and equity securities, and derivative instruments, such as financial options, futures and forwards, interest rate swaps and currency swaps.

As of December 31, 2008, Pure's financial instruments included only primary financial instruments, specifically receivables, payables and long-term debt. The Corporation did not enter into any derivative financial instrument contracts in 2008, nor did it have any derivative financial instrument contracts outstanding as of December 31, 2008.

The fair values of the Corporation's accounts receivable, income taxes receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature. The fair value of the Corporation's term loans approximate their carrying value due to the floating interest rate terms.

Changes in Accounting Policies

Effective January 1, 2008, the Corporation adopted, prospectively, four new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"): Section 1535, *Capital Disclosures*; Section 3031, *Inventories*; Section 3862, *Financial Instruments – Disclosures*; and Section 3863, *Financial Instruments – Presentation*.

The adoption of Sections 1535, 3862 and 3863 required the Corporation to provide additional disclosures regarding the Corporation's capital management, financial instruments, and the nature, extent and management of risks arising from financial instruments to which the Corporation may be exposed. The adoption of these new standards had no impact on the carrying value of the Corporation's assets or liabilities.

Section 3031 provided new guidance on the valuation and presentation of the Corporation's inventories. No amendments to the valuation or presentation of the Corporation's inventory balances were required upon adoption of this Section.

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to International Financial Reporting Standards ("IFRS") from Canadian generally accepted accounting principles ("GAAP") will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. There are a number of differences between IFRS and GAAP which may result in a number of changes to the Corporation's accounting policies and disclosures as a result of the transition to IFRS.

The transition from current GAAP to IFRS is a significant undertaking. The Corporation is in the process of reviewing the potential impact of IFRS on the Corporation's financial accounting and reporting processes. The Corporation has established an IFRS conversion steering committee which will be reviewing the Corporation's existing accounting policies and disclosures during 2009 and assessing the impact to these policies and disclosures in reference to standards differences between IFRS and GAAP.

Based on an initial review of the differences between IFRS and GAAP, the Corporation's steering committee has identified a number of areas which may result in significant adjustments to the Corporation's accounting policies and disclosures. The Committee's primary focus for 2009 will be to focus on these areas where significant effort will be required to adjust the Corporation's current accounting policies to conform to IFRS. The Committee anticipates completing its assessment of high impact areas during 2009 and based on this assessment, the Committee will begin to undertake the process of quantifying the impact of these IFRS changes on the Corporation's financial statements at the end of 2009 and into 2010.

Critical Accounting Estimates

The Corporation prepares its consolidated financial statements in accordance with GAAP. In preparing its financial statements, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses, as well as the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience and various other assumptions believed to be reasonable at the time and under the circumstances in existence when the financial statements were prepared. Anticipating future events cannot be done with certainty; therefore, these estimates may change as new events occur, more experience is acquired or the Corporation's operating environment changes. The accounting estimates believed by management to require the most difficult, subjective or complex judgments and which are material to the Corporation's financial reporting results are set out below.

Allowance for Doubtful Accounts Receivable

The Corporation regularly evaluates its accounts receivable on an individual and overall customer basis. This process consists of a review of historical collection experience, current aging status of the customer accounts and other factors. Based on its review of these factors, it establishes or adjusts allowances for specific customers. This process involves a high degree of judgment and estimation. Accordingly, the Corporation's results of operations can be affected by adjustments to the allowance due to actual write-offs that differ from estimated amounts.

Impairment of Long-Lived Assets

Long-lived assets are tested for impairment annually, or more frequently as circumstances require. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Estimates of undiscounted future net cash flows are calculated using estimated future revenues, operating expenses and other costs. These estimates are subject to risk and uncertainties, and it is possible that changes in estimates could occur which may effect the expected recoverability of the Corporation's long-lived assets.

To test for and measure impairment, long-lived assets are grouped at the lowest level for which identifiable cash flows are largely independent. The lowest asset groupings for which identifiable cash flows are largely independent are the production testing division, wireline division, well fracturing division, Quintera drilling division, and the Motorworks directional drilling and rentals division.

Based on management's expectations for continued demand for the Corporation's services, management determined that the carrying value of the Corporation's intangible assets acquired through its purchase of Ross Wireline Services Ltd. in 2005, consisting of a customer list and operating name, could no longer be supported. As a result, an impairment in the amount of \$0.4 million was recorded as at December 31, 2008 for the remaining unamortized value of these intangible assets.

Management's review of the Corporation's remaining long-lived assets resulted in no indication as at December 31, 2008 that the carrying value of the remaining long-lived assets would not be recoverable in the future.

Depreciation and Amortization of Property and Equipment and Intangible Assets

Depreciation and amortization is calculated using either the straight-line or declining balance method over the estimated useful life of the asset. Management bases the estimate of the useful life and salvage value of equipment on expected utilization, technological change and effectiveness of maintenance programs. Although management believes the estimated useful lives and salvage values of the Corporation's equipment are reasonable, they can not be certain that depreciation and amortization expense measures with precision the true reduction in value of assets over time.

Income Taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, the Corporation records future income taxes for the effect of any difference between the accounting and income tax basis of an asset or liability, using the substantively enacted tax rates. Valuation allowances are established to reduce future tax assets when it is more likely than not that some portion or all of the future tax asset will not be realized. Estimates of future taxable income and the continuation of ongoing prudent tax planning arrangements have been considered in assessing the utilization of available tax losses. Changes in circumstances and assumptions may require changes to the valuation allowances associated with the Corporation's future tax assets.

Risks and uncertainties

While the demand for Pure's products and services is largely a function of the supply, demand and price of oil and natural gas, many other factors can affect the fortunes of the business either positively or negatively. The Corporation encourages all investors to read and be aware of the following business risks:

Volatility of Industry Conditions

The demand, pricing and terms for oilfield services in the Corporation's existing or anticipated service areas largely depends upon the level of exploration and development activity for both crude oil and natural gas in the WCSB and the US Rocky Mountain region. Oil and natural gas industry conditions are influenced by numerous factors over which the Corporation has no control, including: oil and natural gas prices; expectations about future oil and natural gas prices; levels of consumer demand; the cost of exploring for, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery rates of new oil and natural gas reserves; available pipeline and other oil and natural gas transportation capacity; weather conditions; political, regulatory and economic conditions; and the ability of oil and natural gas companies to raise equity capital or debt financing.

The level of activity in the oil and natural gas exploration and production industry in the WCSB and the US Rocky Mountain region is volatile. Any prolonged substantial reduction in oil and natural gas prices would likely affect oil and natural gas production levels and therefore affect the demand for drilling and well services by oil and natural gas exploration and production entities. A material decline in crude oil or natural gas prices or industry activity could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. Lower oil and natural gas prices could also cause the Corporation's customers to seek to terminate, renegotiate or fail to honour the Corporation's services contracts; affect the fair market value of the Corporation's equipment fleet which in turn could trigger a writedown for accounting purposes; affect the Corporation's ability to retain skilled oilfield services personnel; and affect the Corporation's ability to obtain access to capital to finance and grow the Corporation's business.

Access to Additional Financing

The current global economic slowdown and uncertainty have resulted in a global credit crisis. This global credit crisis has caused the Corporation's traditional equity and debt markets to tighten resulting in a reduced availability of external financial resources. This reduced availability of external financial resources may negatively impact the Corporation's ability to fund growth initiatives such as capital expenditures and acquisitions or other business combination transactions. In addition, a reduction in the Corporation's existing debt facilities by the Corporation's lenders may negatively impact the Corporation's ability to support ongoing operations.

There can be no assurance that additional financing, if required, will be available to the Corporation when needed or on terms acceptable to the Corporation. The Corporation's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit the Corporation's growth and may have a material adverse effect upon the Corporation.

Credit Risk and Economic Dependence

All of the Corporation's accounts receivables are with customers in the oil and natural gas industry in Canada and the United States. In light of the current industry slowdown there is an increased risk of non-payment from the Corporation's customers. In order to help mitigate this risk Pure's customers are subject to an internal credit review along with ongoing monitoring of the amount and the age of receivable balances outstanding. During the year ended December 31, 2008, the Corporation recorded \$0.2 million in bad debt write-offs from accounts receivable amounts deemed to be uncollectible.

The Corporation has significant exposure to one major customer in both its Canadian and US operations. The customer is a large public Canadian oil and natural gas exploration company. For the year ended December 31, 2008, 36% or \$68.9 million (2007 – 26% or \$32.4 million) of the Corporation's total revenue was derived from this customer. As at December 31, 2008, \$5.5 million (2007 – \$3.4 million) of the Corporation's accounts receivable balance included amounts outstanding from this customer.

Government Regulation

The oil and natural gas industry in Canada and the US is subject to federal, provincial, state and municipal legislation and regulation governing such matters as land tenure, prices, royalties, production rates, environmental protection controls, the exportation of crude oil, natural gas and other products, as well as other matters. The industry is also subject to regulation by governments in such matters, including laws and regulations relating to health and safety, the conduct of

operations, the protection of the environment and the manufacture, management, transportation, storage and disposal of certain materials used in the Corporation's operations.

Government regulations may change from time to time in response to economic or political conditions. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the crude oil and natural gas industry could reduce demand for the Corporation's services or increase its costs, either of which could have a material adverse impact on the Corporation.

In October 2007, the Government of Alberta unveiled a new royalty regime. The new regime introduced new royalties for conventional oil, natural gas and bitumen effective January 1, 2009 that are linked to price and production levels and will apply to both new and existing oil sands projects and conventional oil and natural gas activities. In response to declining industry activity levels, in November 2008 the Government of Alberta also introduced a transitional royalty program for new wells drilled subsequent to January 1, 2009. This transitional royalty program will result in temporarily lower royalty rates for some new wells drilled subsequent to January 1, 2009. Further incentives were announced in February 2009 which are aimed to stimulate drilling activity in 2009. These changes to the royalty regime in Alberta are subject to certain risks and uncertainties, and may result in a material adverse effect on the industries in which the Corporation operates.

On March 10, 2008, the Canadian Federal Government announced new regulations regarding carbon dioxide emissions and sequestration which will impact future oil sands projects and coal fired electrical generation plants. Any initiatives by governments in areas in which the Corporation operates to set legally binding targets to reduce nation-wide emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases" may require the reduction of emissions or emissions intensity from the oil and natural gas industry. This may result in increased operating costs and capital expenditures for oil and natural gas producers, thereby decreasing the demand for the Corporation's services. Management is unable to predict the impact of these initiatives on the Corporation and it is possible that they will adversely affect the Corporation's business, financial condition, results of operations and cash flows.

The recent change in administration of the US federal government may result in a number of changes to laws and regulations which may materially impact the Corporation or the markets in which the Corporation operates in the US Rocky Mountain region. A number of areas for new initiatives such as climate change and governmental stimulus packages have been discussed by President Barack Obama and his administration. The impact of these items is unknown at this time.

Seasonality

Equipment utilization in the Corporation's Canadian operations is affected by weather conditions to varying degrees, with geographic location and type of service being a factor. Canadian oilfield service operations tend to be more active during the winter months from November to March as the movement of heavy equipment is easier over frozen ground and many well-site locations are only accessible during the winter months. Canadian oilfield service operations typically experience the lowest levels of equipment utilization during April and May; however, field operations located in northern British Columbia and northern Alberta typically experience reduced activity levels throughout the summer months. All services provided by the Canadian operations are affected by wet weather and road bans; however, the impact on the Drilling Services segment is typically more pronounced due to increased challenges encountered when moving drilling rigs. The volatility in the weather can therefore create unpredictability in activity and utilization rates, which may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

The weather does not have as significant an impact on equipment utilization in the Corporation's US operations other than in North Dakota which is subject to similar conditions as those in Canada. Access to well site locations is not typically dependent on ground conditions in the US Rocky Mountain region. As a result, oilfield services industry activity in the US Rocky Mountain region does not tend to be seasonal in nature.

Vulnerability to Market Changes

Fixed costs, including costs associated with operating losses, leases, labour costs and depreciation will account for a significant portion of the Corporation's costs and expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, weather or other factors could significantly affect financial results.

Competition

The oilfield service industry is highly competitive and the Corporation competes with a substantial number of companies some of which have greater technical and financial resources. The Corporation's ability to generate revenue and earnings depends primarily upon its ability to win bids in competitive bidding processes and to perform awarded projects within estimated times and costs. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Corporation or that new or existing competitors will not enter the various markets in which the Corporation is active. In certain aspects of its business, the Corporation also competes with a number of small and medium-sized companies, which, like the Corporation, have certain competitive advantages such as low overhead costs and specialized regional strengths. In addition, reduced levels of activity in the oil and natural gas industry can intensify competition and may result in lower revenue to the Corporation.

Dependence on Suppliers

The ability of the Corporation to compete and grow will be dependent on the Corporation having access, at a reasonable cost and in a timely manner, to equipment, parts, components and consumables. Failure of suppliers to deliver such equipment, parts, components and consumables at a reasonable cost and in a timely manner would be detrimental to the Corporation's ability to maintain existing customers and expand its customer list. No assurances can be given that the Corporation will be successful in maintaining its required supply of equipment, parts, components and consumables.

The Corporation's ability to provide services to its customers is also dependent upon the availability at reasonable prices of raw materials which the Corporation purchases from various suppliers, most of whom are located in Canada or the United States. Alternate suppliers exist for all raw materials. In periods of high industry activity periodic industry shortages of certain materials have been experienced and costs may be affected. In contrast, periods of low industry activity levels may cause financial distress on a supplier, thus limiting their ability to continue to operate and provide the Corporation with necessary services and supplies.

Management maintains relationships with a number of suppliers in an attempt to mitigate this risk. However, if the current suppliers are unable to provide the necessary raw materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to the Corporation's customers could have a material adverse effect on the Corporation's results of operations and the Corporation's financial condition.

Operating Risk and Insurance

The Corporation has an insurance and risk management program in place to protect its assets, operations and employees. The Corporation also has programs in place to address compliance with current safety and regulatory standards. However, the Corporation's operations are subject to risks inherent in the oilfield services industry, such as equipment defects, malfunction, failures and natural disasters. In addition, hazards such as unusual or unexpected geological formations, pressures, blow-outs, fires or other conditions may be encountered in drilling and servicing wells. Although such hazards are primarily the responsibility of the oil and natural gas companies which contract with the Corporation, these risks and hazards could expose the Corporation to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages.

Although the Corporation has obtained insurance against certain of the risks to which it is exposed which it considers adequate and customary in the oilfield services industry, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Corporation is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Corporation's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Corporation were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Corporation were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Equipment and Technology Risks

The ability of the Corporation to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment. There can be no assurance that the Corporation will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Corporation to do so could have a material adverse effect on the Corporation. No assurances can be given that competitors will not achieve technological advantages over the Corporation.

The Corporation has not sought or obtained patent or other similar protection in respect of any tools, equipment or technology it has developed independently. In the future, the Corporation may seek patents or other similar protections in respect of particular tools, equipment and technology; however, the Corporation may not be successful in such efforts. Competitors may also develop similar tools, equipment and technology to those of the Corporation thereby adversely affecting the Corporation's competitive advantage in one or more of its businesses. Additionally, there can be no assurance that certain tools, equipment or technology developed by the Corporation may not be the subject of future patent infringement claims or other similar matters which could result in litigation, the requirement to pay licensing fees or other results that could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

Reliance on Personnel

The success of the Corporation is dependent upon its management, technical and field personnel. Any loss of the services of such individuals could have a material adverse effect on the business and operations of the Corporation. The ability of the Corporation to expand its services is dependent upon its ability to attract additional qualified employees. The ability to secure the services of additional personnel is constrained in times of strong industry activity.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Interest Rate Risk

The Corporation is not exposed to interest rate price risk as both its term loans and its operating line have floating interest rate terms. However, the floating interest rate terms do give rise to interest rate cash flow risk as interest payments are recalculated as the market rates change. Management currently does not see this risk as significant due to Canada's history of reasonably stable interest rates and their expectations of future interest rates.

Foreign Exchange Risk

The Corporation is exposed to foreign currency fluctuations in relation to the US operations. The reported results of the US operations are affected by the movement in exchange rates between the Canadian and US dollars. The Corporation's Canadian operations include exchange rate exposure as some receivables are with US customers and some materials are from US suppliers. Other than natural hedges undertaken in the normal course of ongoing business, no hedging positions are currently in place.

Conflicts of Interest

Certain of the directors and officers of the Corporation are also directors and officers of other oil and natural gas exploration and/or production entities and oil and natural gas services companies, and conflicts of interest may arise between their duties as officers and directors of the Corporation and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under, the ABCA.

Legal Proceedings

The Corporation is involved in litigation from time to time in the ordinary course of business. Although the Corporation is not currently a party to any material legal proceedings, legal proceedings could be filed against the Corporation in the future. No assurance can be given as to the final outcome of any legal proceedings or that the ultimate resolution of any legal proceedings will not have a material adverse effect on the Corporation.

Dilution and Future Sales of Common Shares

The Corporation may issue additional Common Shares in the future, which may dilute a Shareholder's holdings in the Corporation. The Corporation's articles permit the issuance of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series, and Shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Corporation have the discretion to determine the provisions attaching to any series of preferred shares and the price and the terms of issue of further issuances of Common Shares.

Failure to Realize Anticipated Benefits of Acquisitions

The Corporation makes acquisitions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions, retaining key employees and customer relationships and integrating operations and procedures in a timely and efficient manner. Such integration may require substantial management effort, time and resources, may divert management's focus from other strategic opportunities and operational matters and ultimately the Corporation may fail to realize anticipated benefits of acquisitions.

Environmental Liability

The Corporation is subject to various environmental laws and regulations enacted in the jurisdictions in which it operates which govern the manufacture, processing, importation, transportation, handling and disposal of certain materials used in the Corporation's operations. The Corporation has established procedures to address compliance with current environmental laws and regulations and monitors its practices concerning the handling of environmentally hazardous materials. However, there can be no assurance that the Corporation's procedures will prevent environmental damage occurring from spills of materials handled by the Corporation or that such damage has not already occurred. On occasion, substantial liabilities to third parties may be incurred. The Corporation may have the benefit of insurance maintained by it or the operator; however the Corporation may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

The Corporation's customers are subject to similar environmental laws and regulations, as well as limits on emissions to the air and discharges into surface and sub-surface waters. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, the Corporation cannot predict the nature of the restrictions that may be imposed. The Corporation may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations.

Outlook

As the Corporation enters 2009, there is a great amount of uncertainty as to what the year ahead has to offer. In the midst of a global recession and low commodity prices, management recognizes that the strong growth and expansion during the previous four years has now been replaced by the need to aggressively manage costs and to make defensive decisions in light of declining industry activity levels. Unfortunately these cyclical highs and lows are a part of the industry in which Pure operates.

The diversity of Pure's operations during 2008 helped to mitigate the impact of these cyclical challenges as Pure's US operations continued to prosper throughout 2008 while activity levels in Canada softened. However, it appears that Pure's US operations will not be able to escape the impact of lower industry activity levels in 2009 as US drilling activity is expected to fall significantly in 2009 from the record levels enjoyed for much of 2007 and 2008.

During the first two months of 2009, activity in Pure's Canadian operations has been slower due to low industry activity levels, however, activity in Pure's US operations has remained reasonably active. While the US activity has certainly been positive in light of the current challenges being faced by the industry, management recognizes that the remaining 10 months of 2009 may be challenging in both its Canadian and US operations.

As a result of the lower activity levels expected for the remainder of 2009, management has taken steps during the first quarter of 2009 to proactively adjust its operating cost structure. Among a number of steps taken, these cost saving initiatives include the reduction of staffing levels and wage reductions in both Canada and the US and the elimination of excess overhead and support infrastructure to reflect the lower activity levels. These initiatives are designed to help the Corporation maintain its current margins in light of potentially lower activity levels.

While being proactive on controlling costs, Pure is also aggressively marketing its services. In particular, with its diversified product offering, Pure has been approaching its key customers with creative solutions to provide cost savings opportunities for its customers. The Corporation's diversified geographic operations is also allowing Pure to transfer equipment between locations to meet customer demand in areas of higher activity.

Management believes that the Corporation's aggressive cost cutting initiatives, combined with the strength of its US operations and its ability to relocate equipment into areas of relatively higher activity, Pure is in position to weather the current challenges being faced by the oil and gas services industry. Pure has a stable balance sheet today, and it is management's intention to ensure this balance sheet remains stable throughout 2009.

Certification of Annual Filings

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Corporation's disclosure controls and procedures. They are assisted in this responsibility by the Corporation's senior management team. Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Corporation is accumulated and communicated to Management as appropriate to allow timely decisions regarding required disclosure. An evaluation of the design and operating effectiveness of the Corporation's disclosure controls and procedures as of December 31, 2008 was performed under the supervision of the Chief Executive Officer and Chief Financial Officer and with participation of the Corporation's senior management. The Chief Executive Officer and Chief Financial Officer have concluded, as of the date of this MD&A that the Corporation's disclosure controls and procedures have been designed and are operating effectively to provide reasonable assurance that material information related to the Corporation is made known to them by others within the Corporation.

Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Corporation are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. An evaluation of the design and operating effectiveness of the Corporation's internal controls over financial reporting as of December 31, 2008 was performed under the supervision of the Chief Executive Officer and Chief Financial Officer and with participation of the Corporation's senior management.

Based on the Chief Executive Officer and Chief Financial Officer's review of the design and operating effectiveness of Pure's internal controls over financial reporting, the Chief Executive Officer and Chief Financial Officer have concluded that there are no material weaknesses in the Corporation's internal controls over financial reporting. There is, however, a potential weakness in internal controls associated with the Corporation's limited internal financial accounting resources. Like other corporations of similar size, Pure has chosen to structure its financial accounting group with a small number of key individuals to complete its core financial accounting and reporting obligations on a cost effective basis. As a result, the Corporation may not have the necessary resources to provide for sufficient segregation of duties for all financial accounting processes nor may there be sufficient internal expertise to provide sufficient knowledge to handle all non-routine and complex accounting transactions.

To compensate for this risk, the Corporation relies upon its Chief Executive Officer and Chief Financial Officer with the participation of the Corporation's other senior management members to provide additional supervision and monitoring. In addition, the Corporation consults with its third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions.

It is important to note that in order to eliminate the potential risk associated with these issues, the Corporation would be required to hire additional staff in order to provide greater segregation of duties and sufficient internal expertise to handle all potential non-routine and complex accounting issues. Since the increased funding costs of such hiring would be financial constrictive to Pure, the Corporation has chosen to disclose the potential risk in its annual filings and proceed with increased staffing as the Corporation's growth supports such overhead expansion.

During the fourth quarter the Corporation continued the transition of its financial accounting group which saw a number of new individuals hired during in quarter to fill key financial accounting management roles. While these staffing additions are intended to strengthen the Corporation's internal controls over financial reporting, during the transition period weaknesses in internal controls over financial reporting may exist as staff transition into their new roles. Management is aware of this risk and is mitigating the risk through the continued review of financial information and processes.

It should be noted that while the Corporation's Chief Executive Officer and Chief Financial Officer believe that Pure's disclosure controls and internal controls over financial reporting provide a reasonable level of assurance that the system of internal controls is effective, they do not guarantee that the disclosure controls and internal controls over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met.

Forward-looking Statements

This document contains certain forward-looking statements and other information that are based on the Corporation's current expectations, estimates, projections and assumptions made by management in light of its experience and perception of historical trends, current conditions, anticipated future developments and other factors believed by management to be relevant.

All statements and other information contained in this document that address expectations or projections about the future are future-looking statements. Some of the forward-looking statements may be identified by words such as "may", "would", "could", "will", "intends", "expects", "believes", "plans", "anticipates", "estimates", "continues", "maintains", "projects", "indicates", "outlook", "proposed", "objective" and other similar expressions. These statements speak only as of the date of this document. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed below and under "Risks and uncertainties" discussed in the Corporation's MD&A of the audited December 31, 2008 financial statements and the most recent Annual Information Form, Information Circular, quarterly reports, material change reports and news releases. The Corporation cannot assure investors that actual results will be consistent with the forward-looking statements and readers are cautioned not to place undue reliance on them. The forward-looking statements are provided as of the date of this document and, except as required pursuant to applicable securities laws and regulations, the Corporation assumes no obligation to update or revise such statements to reflect new events or circumstances.

The forward-looking statements and information contained in this document reflect several major factors, expectations and assumptions of the Corporation, including without limitation, that the Corporation will continue to conduct its operations in a manner substantially consistent with past operations; the general continuance of current or, if applicable, assumed industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) taxation, royalty and regulatory regimes; certain commodity prices and other cost assumptions; certain conditions regarding natural gas storage in North America; the continued availability of adequate debt and/or equity financing and cash flow from the Corporation's operations to fund its capital and operating requirements as needed; and the extent of its liabilities. Many of these factors, expectations and assumptions are based on management's knowledge and experience in the industry and on public disclosure of industry participants and analysts relating to anticipated exploration and development programs of oil and gas producers, the effect of changes to regulatory, taxation and royalty regimes, expected active rig counts and industry equipment utilization in the WCSB and the Rocky Mountain region and other matters. The Corporation believes that the material factors, expectations and assumptions reflected in the forward-looking statements and information are reasonable; however, no assurances can be given that these factors, expectations and assumptions will prove to be correct.

In particular, this document contains forward-looking information pertaining to the following: ability to reduce costs in response to lower industry activity levels; success of marketing programs; capital expenditure programs; ability to move equipment within operating locations; availability of debt financing and ability to renew the Corporation's existing facilities at acceptable terms; supply and demand for oilfield services and industry activity levels; oil and natural gas prices; oil and natural gas drilling activity; treatment under governmental royalty, collection of accounts receivable; operating risk liability; expectations regarding market prices and costs; expansion of services and operations in Canada and the United States; and competitive conditions.

The Corporation's actual results could differ materially from those anticipated in such forward-looking statements as a result of the risk factors set forth below and elsewhere in this document: general economic conditions in Canada and the United States; changes in the level of capital expenditures made by oil and natural gas producers and the resultant effect on demand for oilfield services during drilling and completion of oil and natural gas wells; volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oilfield services generally; risks inherent in the Corporation's ability to generate sufficient cash flow from operations to meet its current and future obligations; increases in debt service charges; the Corporation's ability to access external sources of debt and equity capital; changes in legislation and the regulatory environment, including uncertainties with respect to implementing binding targets for reductions of emissions; uncertainties in weather and temperature affecting the duration of the oilfield service periods and the activities that can be completed; competition; sourcing, pricing and availability of raw materials, consumables, component parts, equipment, suppliers, facilities, and skilled management, technical and field personnel; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; ability to integrate technological advances and match advances of competition; credit risk to which the Corporation is exposed in the conduct of its business; and changes to the royalty regimes applicable to entities operating in the WCSB or the Rocky Mountain region. Many of these factors are discussed in further detail throughout this document.

